Manitoba

REPORT OF THE PROVINCIAL AUDITOR to the Legislative Assembly for the fiscal year ended March 31, 1992

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PROVINCIAL AUDITOR

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for the fiscal year ended

March 31, 1992

93-02671/

TABLE OF CONTENTS

Table of Contents

	Page
INTRODUCTORY COMMENTS	1
ACTIVITIES OF THE PROVINCIAL AUDITOR'S OFFICE	
Role and Mission of the Office	3
Nature of Audit Work	4
Future Direction of the Office	5
ITEMS OF SIGNIFICANCE	
Attest Audits	6
- Summary Financial Statements	6
- Qualifications in our Attest Audit Opinions	7
- Agreement with Hudson Bay Mining and Smelting Company (HBMS) re Ruttan Mine	9
Compliance with Authorities Audits	10
Broader Scope Audits	10
- New Matters - Requiring Attention	10
- New Matters - Positive Findings	12
- Previously Reported Matters	16
NEW MATTERS	
Department of Culture, Heritage and Citizenship	
- Grant Accountability Practices and Procedures	18
- Multicultural Grants Advisory Council	21
Department of Environment	
- Management Information System for the Environmental Operations Division	27
Department of Housing	
- Shelter Allowance for Elderly Renters Program	31
Department of Industry, Trade and Tourism	
- Vision Capital Fund Limited Partnership	38
Department of Justice	
- Brandon Correctional Institution	47
- Corrections Division	56
Department of Natural Resources	
- Monitoring of Accounts Receivable	64
Manitoba Health Services Commission	
- Internal Control Systems	71

Manitoba Lotteries Foundation
- Video Lottery Program 74
Public Trustee's Office
- Staffing of the Client Administration Section 76
- Computer Control Review 92
Rehabilitation Centre for Children, Inc. 104
University of Manitoba
- Trust and Endowment Funds 107

INSPECTION AUDITS

Manitoba Museum of Man and Nature 114
Manitoba Sports Federation 124
Winnipeg Art Gallery 128

STATUS OF PREVIOUS RECOMMENDATIONS - REQUIRING FURTHER ATTENTION

Accountability for Government Policy Implementation 145
Accounting Policies - Public Accounts 145
Central Direction and Monitoring of Departmental Accounts Receivable 146
Central Management of Information Technology 146
Crown Agency Accountability to the Legislature 147
Department of Consumer and Corporate Affairs 147
Department of Education and Training 148
Department of Family Services 150
Department of Finance - Taxation Division 152
Department of Health 156
Department of Justice 161
Department of Labour 163
Department of Natural Resources 164
Financial and Management Information Systems 164
Internal Audit 165
Office of the Chief Electoral Officer 165
Overtime 166
Program Expenditures 167
Review of the Legislative Assembly Offices 167
Timely Completion of Public Accounts 169
Training 169
Untendered Contracts 170
Workers Compensation Board 171

STATUS OF PREVIOUS RECOMMENDATIONS - RESOLVED

Administrative Practices for Crown Agencies 172
Brandon University - Internal Audit 172
Civil Service Superannuation Fund - Reporting 172

Computer Processing Disaster Recovery Plan 173
Department of Consumer and Corporate Affairs 173
Department of Education and Training 173
Department of Family Services 174
Department of Justice 174
Department of Northern Affairs 175
Department of Rural Development 175
Divestiture of Manitoba Data Services 175
Economic Innovation Technology Centre 176
Estimates 176
Manitoba Housing and Renewal Corporation 177
Manitoba Water Services Board 177
Northern Affairs Fund 180
Public Accounts Committee 180
Public Trustee's Office 181
Review of Specific Expenditures 181
Venture Manitoba Tours Ltd. - Policies and Procedures 182

EXHIBITS

1. Acknowledgements 183
2. Provincial Auditor's Act 184
3. Attest Audits 197
4. Overview Audits 199
5. Attest Audit Opinion - Volume III
   Summary Financial Statements, March 31, 1991 200
6. Attest Audit Opinion - Volume I
   Consolidated Fund Financial Statements, March 31, 1992 202
7. Report on the Audit of the Provincial Auditor's Office 204
8. Organizational Chart 205
9. Financial Results for the Provincial Auditor's Office 206

INTRODUCTORY COMMENTS

"Report to Assembly

13(1) The Provincial Auditor shall report annually to the assembly

a) on the work of his Office; and
b) on whether, in carrying out the work of his Office, he received all the information and explanations he required."

Introductory Comments

I have had the honour of representing the Office as the Provincial Auditor since October 7, 1992. The work of the Office is the result of the dedication of all staff members under the direction of Fred Jackson, Provincial Auditor, prior to his retirement in September 1992. I would like to take this opportunity to publicly commend all of the staff members for their hard work and support over the last year. I would like to thank Mr. Jackson for introducing me to the public service and for demonstrating fair and equitable treatment of all clients and the public at all times. I look forward to the years ahead as the Provincial Auditor and hope that our Office can continue to contribute to the democratic process in a comprehensive manner.

The Provincial Auditor is required to report annually to the Legislative Assembly on the work of the Office and whether we received all the information and explanations we required. In reporting to the Assembly, we are also required by the Provincial Auditor's Act to report anything considered significant and of a nature that should be brought to the Assembly's attention. We have prepared this report to meet these requirements.

The first section of this report provides you with an overview of the work of the Office. In the "Activities of the Provincial Auditor's Office" section we have described the role and mission of the office, the nature of our attest, compliance with authorities and broader scope audit work and the future direction of the Office. We are pleased to report that throughout all of our activities, we received all the information and explanations we required.

Next, this report provides you with information about matters that we consider warrant the attention of the Members of the Legislative Assembly. In the "Items of Significance" section we have summarized the significant findings from our attest, compliance with authorities and broader scope audits. The items of significance provide you with our major concerns and recommendations as well as positive findings. This section also summarizes the progress made in addressing matters previously reported. Further details supporting new matters, audits of recipients of public moneys and matters previously reported are provided in the sections which follow the "Items of Significance" section.

Traditionally, we are asked to provide an overall evaluation of Government when our report is released. This is a very difficult task. Because we are not able to audit every program every year, we have to make choices and select programs for detailed audit. Programs are complex and areas of risk differ between programs. Our audits focus on what we consider to be the areas of highest risk. Even then, once we start to conduct our audits, we amend our focus depending on what we find. The results of our audits are then summarized in this report. Common themes emerge when we prepare this summary. This year, the overall evaluation which has emerged from this process is the need for the Government to place greater emphasis on good accountability.

Last year, we reported that there is a need for the Government to place greater emphasis on results rather than on processes and procedures. We continue to emphasize this

need. This year our audits showed that an emphasis on greater accountability, through reporting of measurable objectives and linking of program results to these objectives is necessary. Good accountability means Members of the Legislative Assembly are provided with full and fair disclosure of program activities. Good accountability allows program managers to demonstrate that Government policy was implemented efficiently and effectively. Good accountability enables taxpayers to better assess the value being obtained for their tax dollars being spent.

The "Activities of the Provincial Auditor's Office" further defines accountability. The "Items of Significance" further explains the need for greater accountability. You will read that we have identified the need to emphasize the Government's Summary financial statements as the general purpose financial statements intended to provide legislators, investors and other users with an understandable overview of the total financial affairs and resources for which the government is responsible. You will be provided with assurance that with few qualifications, financial results are reported fairly in all material respects. You will also see the need for improved management and financial information systems, improved accountability relationships and improved guidelines to assist public administrators in working independently to achieve their established objectives. You will also be provided with many examples of where public funds are adequately protected.

We wish to express our appreciation to ministers, chairpersons, officials and staff of departments, Government agencies and grantees for the cooperation and assistance they provided during the course of our audits.

Carol Bellringer

Carol Bellringer, CA
Provincial Auditor

December 11, 1992

ACTIVITIES OF THE PROVINCIAL AUDITOR'S OFFICE

Role and Mission

To serve the Members of the Legislative Assembly and the public by providing independent audit opinions on Government and agency financial statements and evaluations on the financial and administrative management of the Government, its agencies and grant recipients.

Also, to promote improvement in financial and administrative management and accountability.

This section of our Report provides you with an explanation of the role and mission of the office, the nature of our audit work and the future direction of the office.

Role and Mission of the Office

The role and mission of the Office of the Provincial Auditor may be viewed in relation to two key concepts: accountability and audit.

Accountability can be defined as the obligation to answer for a responsibility that has been delegated. It presumes the existence of at least two parties; one who allocates responsibility and one who accepts it with the undertaking to report upon the manner in which it has been discharged.

Audit can be defined as a process that is superimposed on an accountability relationship. It is carried out to establish that accountability reporting on the responsibility assumed is correct or fair. An audit is usually performed by a third party, primarily serving the interests of the party who delegated the responsibility. Audit results are normally communicated in formal audit reports.

One of the key objectives of the Office of the Provincial Auditor is to examine the administrative accountability of the Government to the Legislature. We also consider accountability relationships within Government administration, including those within departments and agencies, as part of the scope of our audits. The work of the Office provides independent information, advice and assurance tc the Legislature and the public regarding accountability. As such it is an important link in the chain of accountability and stewardship of public funds.

In fulfilling our role and mission, the Office endorses the following basic philosophies:

- promotion of a service as opposed to a control function;
- development of a constructive, cooperative approach to improving administrative practices;
- recognition that staff are the prime resource for the development of improved systems and procedures;
- promotion of generally accepted accounting principles for the public sector;
- promotion of the Canadian Comprehensive Auditing Foundation's Effectiveness Framework; and
- maintenance of sound administrative practices within our own Office in such areas as budgeting, expenditure control, staff training and management.

Nature of Audit Work

To fulfill our mandate the Office carries out attest, compliance with authorities and broader scope audits.

Attest audits involve the expression of professional opinions on:

- the annual financial statements of the Government;
- the financial statements of those Crown agencies and departmental funds where the Provincial Auditor has been appointed attest auditor (Exhibit 3);
- prospectus documents when the Government raises funds through borrowings; and
- financial reports on cost-sharing arrangements.

Compliance with authorities audits involve:

- the examination of requests for payment from the Consolidated Fund; and
- reporting to the Legislative Assembly and Ministers of the Government cases observed where:

    . expenditures from the Consolidated Fund have been made without authority;
    . expenditures exceed the approved legislative vote;
    . expenditures have been made for purposes other than as voted by the Legislature; and
    . there has been non-compliance with applicable legislation.

Broader scope audits of the Government, its agencies and recipients of public monies involve reporting to the Legislative Assembly and Ministers of the Government on the adequacy of:

- management practices and controls, including those intended to safeguard assets and promote economic, efficient and effective use of resources; and
- administrative, financial and accountability systems, including internal controls and organizational relationships.

Aspects of broader scope audits were carried out at all Government departments, at all Crown agencies where we completed an attest audit and at the agencies listed in Exhibit 4. Broader scope audits are called "Inspection Audits" when they relate to recipients of public moneys. The inspection audit reports we issued during the year are reproduced in a later section of this report. Broader scope audits are called "Special Audits" when we carry out the work at the direction of the Lieutenant Governor in Council or the Minister of Finance. We accept special audits, provided they do not interfere with the Office's

primary responsibilities. We were not requested to conduct any special audits for the year ended March 31, 1992.

Future Direction of the Office

In 1989, the Office prepared a strategic plan covering a 3 to 5 year period. Each year since then we have been updating the plan based on our results to date. We believe that we are now in a position to expand this plan to strengthen our accountability to the Members of the Legislative Assembly by including effectiveness measurements.

In January, 1993, the Office will be commencing a comprehensive strategic planning exercise using the Canadian Comprehensive Auditing Foundation's Effectiveness Framework. We believe that it would be appropriate for all Government operations to critically self-assess the effectiveness of the management of their programs.

We believe in challenging existing processes and procedures. Technological advances, modern management practices and refocusing of priorities contribute to our ability to change the way things are done. Our goal is to critically examine the current technology we use, the management theories we practice and our program priorities to use our resources as efficiently and effectively as possible. We intend to involve an external facilitator to coordinate our strategic plan, to involve client representatives on an Advisory Committee to provide us with their input to our planning process and to have all of our staff members contribute to the exercise.

We have already begun to modify our strategic objectives which have evolved from previous strategic plans. We have communicated the need for our staff to provide our clients with "quality service". We have provided our staff members with an appropriate level of empowerment. They are responsible for their actions and accountable for their planned results. We are working towards greater participation with our clients in identifying audit criteria, to enable us to work in partnership with them to evaluate their performance and to facilitate their implementation of audit recommendations. Given the current economic conditions in Manitoba, we are designing our audit plans in the short term to identify areas where strengthening accountability will provide for the opportunity to "do more with less" and will provide Members of the Legislature and the public with an appropriate level of detailed financial and non-financial information for decision making.

We look forward to presenting you with the results of our 1993 strategic planning exercise in our next Report to the Legislative Assembly.

ITEMS OF SIGNIFICANCE

"Content of Report

13(2) Each report of the Provincial Auditor under subsection (1) shall call attention to anything that he considers to be of significance and of a nature that should be brought to the attention of the assembly."

In this section of our report, we have summarized the results of our attest, compliance with authorities and broader scope audit work.

Attest Audits

We wish to draw your attention to the need to place a greater focus on the Summary financial statements of the Government. We also draw your attention to the qualifications in our attest audit opinions and the estimate of the Government's liabilities in relation to the Ruttan Mine.

Summary Financial Statements

The Public Accounts consists of three volumes. Volume 1 contains the financial statements of the Consolidated Fund, being the Operating Fund and the Trust Fund, and other supporting information. Volume 2 contains supplementary information on expenditures by object code, salaries and wages paid to employees and payments to corporations, firms, individuals, other governments and government agencies. Volume 3 contains the Summary financial statements. The Summary financial statements for March 31, 1992 have not been released by the Government as of the date of this report.

While specific purpose financial statements such as the Operating Fund financial statements constitute important accountability reports by their managements, they have their limitations. Our audit opinion on the Operating Fund for the year ended March 31, 1992 has drawn attention to the limited use of these statements.

The Summary financial statements are general purpose financial statements which are intended to provide legislators, investors and other users with an understandable overview of the total financial affairs and resources for which the Government is responsible. Although the Summary financial statements are prepared, they are published several months later than the Volume I Consolidated Fund financial statements. Consequently, Volume I of Public Accounts has remained the main set of financial statements. The public, legislators and investors have placed their emphasis on Volume I. In our view, this is inappropriate for evaluating overall Government activity.

We recommend that the Government demonstrate that the Summary financial statements are the main financial statements for overall accountability of Government activity. We believe that placing a higher priority on the completion and release of the Summary financial statements will achieve this objective. Public discussion of the deficit and other key performance indicators should focus on the Summary financial statements.

Comments of Officials

Although Summary financial statements have been prepared by the Government for the

past several years, these statements do not receive sufficient focus of attention at fiscal year end. Consideration will be given to the changes recommended by the Provincial Auditor.

Qualifications in our Attest Audit Opinions

While the majority of our opinions are standard audit opinions which attest to the fairness of presentation, during the year we issued certain "qualified" audit opinions. We qualified our audit opinions because pensions and other employee benefits were unrecorded and because of the valuation of the preferred shares of Repap Enterprises Inc. Our opinion on Volume III of Public Accounts for the year ended March 31, 1991 is reproduced in Exhibit 5. Our attest audit opinion on Volume I of Public Accounts for the year ended March 31, 1992 is reproduced in Exhibit 6. Exhibit 3 indicates which of our other attest audits resulted in qualifications.

Pensions

This is the 14th year we have reported concerns with the Government's increasing unrecorded pension liabilities and the unrecorded cost of the annual increase in pension liabilities for pension entitlements earned by civil servants, contributors to the Teachers' Retirement Allowances Fund, Members of the Legislative Assembly and staff of Crown agencies. Our audit opinion on the Summary financial statements in Exhibit 5 shows that the Government's unfunded pension liabilities were estimated to be $1.4 billion as at March 31, 1991.

The Public Sector Accounting and Auditing Committee (PSAAC) has researched the issue of accounting for pensions and reporting practices in Canada. PSAAC has issued recommendations for accounting for this aspect of government operations. Public Sector Accounting Statement 5 - Accounting for Employee Pension Obligations in Government Financial Statements recommends that governments record these liabilities and related costs.

Pension entitlements earned by Government employees are contractual obligations of the Government. During their years of service to the Government, employees earn both their salary and post retirement pension benefits. Employee salaries are costs that the Government incurs and records month by month as the salaries are earned. Post retirement pension entitlements also are earned during the years of service and are liabilities that the Government should record when the entitlements are earned. To exclude from the Government's accounts the unfunded pension liabilities and the costs associated with the annual increase in the pension liabilities for employees' post retirement pension entitlements earned over the years of employment, understates the Government's expenditures and accumulated liabilities.

Other Employee Benefits

Other employee benefits are similar to pension liabilities and should also be recorded when employees earn them. Vacation pay, retirement allowances and workers' compensation benefits are earned by employees on an ongoing basis in each fiscal year, concurrently with their employment. They represent part of the employees' compensation and employers are obligated to pay these costs. Normally these entitlements are taken in fiscal years subsequent to the years in which they are earned. However, all employee benefit liabilities and related costs should be recorded as they are earned to provide fair presentation of the financial position and operating results.

Valuation of the Preferred Shares of Repap Enterprises

The Fiscal Stabilization Fund is one of the special funds comprising the government reporting entity in the Summary financial statements. We express an attest audit opinion on the financial statements of the Fund, as well as an opinion on the Summary financial statements.

Preferred shares of Repap Enterprises Inc. received from the sale of Manfor Ltd. have been transferred to the Fiscal Stabilization Fund and are recorded in the Fund's financial statements as an asset at their future potential redemption value of $77,638,700. Because realization of these shares is dependent on the future profitability of Manfor Ltd., or its successors and other conditions being fulfilled well into the future, the shares are not an asset of the kind that presently can be used for the purposes of the Fund. Furthermore, the historical financial results of the Manfor operations have been unfavourable, and future profitability is uncertain.

Recommendations:

We recommend that the Government:

- record its pension liabilities, other significant employee benefits and the costs associated with the annual increase in these liabilities; and

- record a valuation allowance of $77,638,700 against the asset value of the Repap Enterprises Inc. shares.

Comments of Officials

Pension Liabilities, Other Employee Benefits and Associated Costs

Officials advised that the Government continues to review the alternatives available for the resolution of this issue within the limits imposed by the Province's current fiscal situation.

Valuation of Preferred Shares

The Government is currently in the process of renegotiating its agreement with Repap.

Agreement with Hudson Bay Mining and Smelting Company (HBMS) re Ruttan Mine

The Government is party to an agreement with HBMS in relation to the Ruttan Mine. Under the agreement, the Province provided funding and other assurances to ensure continuance of the mine in exchange for an interest in the net profits of the mine. The Province has responsibility for other costs under the agreement, including: environmental clean-up costs in excess of the limit set as HBMS's share; Manitoba Hydro terminal charge and demand charge upon closure in excess of the limit set as HBMS's share; municipal tax liability beginning six months after closure; and all or part of the Education Support Levy should the mine incur a negative cashflow.

The note respecting contingencies to the March 31, 1992 financial statements of the Consolidated Fund indicates that the Government has a potential liability for these costs and that the extent of this liability is not quantifiable at this time. In our view, the Province's financial responsibilities under the agreement are actual liabilities which should be recognized in the Province's accounts.

With respect to the environmental clean-up costs, in addition to quantifying these costs, the Government has a responsibility to ensure that they are minimized by appropriately monitoring the mining operation. The current assessment of the potential environmental clean-up costs would enable the mine management to take the necessary action today to reduce future costs. A focus on preventative controls would allow the Government to demonstrate their commitment to the environment and to fiscal responsibility.

We recommend that the Department of Finance determine the estimated cost of the Government's liabilities under the agreement and record a provision for this liability in the Consolidated Fund financial statements. The Department should also ensure that future costs are appropriately minimized.

Comments of Officials

The Government recognizes the need to minimize not only future costs but especially environmental impacts. This concern has been clearly communicated to both Manitoba Mineral Resources, who are administering the agreement on behalf of the Government, and Hudson Bay Mining and Smelting. Although, the Government's liability under the agreement is not presently determinable, preliminary estimates are being developed by the operator. These estimates will be examined by the Government when they are received.

Compliance with Authorities Audits

Our compliance with authorities audit work takes place in conjunction with both our attest audits and our broader scope audit work. In addition, we pre-audit departmental and other government expenditures. For the fiscal year ended March 31, 1992, we examined 417,165 requests for payment, inter-department transfers and journal vouchers (1991 - 434,424). We identified 3,254 errors in the requests for payment which were corrected by departments before payment (1991 - 3,525). We did not have to refuse any requests for payment during the year ended March 31, 1992.

As a result of our compliance with authorities audits, we did not note any items of significance to bring to your attention.

Broader Scope Audits

We have summarized our broader scope audit findings to provide you with the highlights of new matters which require attention, new matters resulting in positive conclusions and the progress being made towards resolving previously reported matters. We have summarized the matters previously reported as they relate to improved accountability, guidance and central support required and have indicated the extent to which progress has been made. Further details about our audit objectives and scope as well as our conclusions, observations and recommendations can be found for the more significant "New Matters" in that section of this report.

New Matters - Requiring Attention

For six of the reports reproduced in the "New Matters" section, attention is required to address our recommendations. For the remaining reports reproduced in that section, our overall evaluation is positive although recommendations for improvement have been reported to management. A summary of our positive findings is found on page 12.

Attention is required to address the following:

Department of Environment - Management Information System for the Environmental Operations Division (page 27)

We conducted an audit of the management information system for the Environmental Operations Division. This system provides management with the information to monitor

the administration and enforcement of legislation under the responsibility of regional operations of the Division.

We concluded that the Division's management information system requires improvement. We found that management needs to identify the results oriented information required to monitor operations and to establish systems to collect and report it on a timely basis. Identifying the results oriented information required to monitor the operations is an integral part of the planning process. The Department is actively developing its planning process. It has developed a department-wide strategic plan and is commencing planning at a divisional level. However, the planning process has not yet been fully developed to the point where results oriented information has been identified. Consequently, the management information system cannot be as effective as expected.

Department of Industry, Trade and Tourism - Vision Capital Fund Limited Partnership (The Fund) (page 38)

We initiated an audit of the Fund because of the significant financial involvement of the Province. In addition, concerns were expressed by certain members of the Legislative Assembly. We concluded that the accountability relationship between the Fund and the Government is not sufficiently developed. We observed that the Government has not documented objectives for its participation in the Fund. Our report indicates that management has acted upon this recommendation. We also reported that the Government has not clearly defined its monitoring responsibilities. Management agreed with our recommendation that responsibilities should be clarified. Further conclusions are summarized on page 13.

Department of Justice - Corrections Division (page 56)

We initiated an audit to review the adequacy of the financial management process for fines and costs collection at the adult correctional institutions within the Corrections Division. We observed that inadequate interdivisional communication required attention and that there was a lack of understanding of reporting relationships and Divisional responsibilities.

We are concerned that the Department of Justice, Administration & Finance Division, has not appropriately carried out its responsibilities for financial management support and monitoring. We recommended that senior Departmental officials review the current system within the Corrections Division with the intention of significantly strengthening the internal controls over fines and costs monies. The Department acknowledged that deficiencies exist in its accounting and control procedures as detailed in the report, and undertook to accept and act on all of the specific recommendations made in the report.

Department of Natural Resources - Monitoring of Accounts Receivable (page 64)

We concluded that internal controls over accounts receivable at Parks and Natural Areas Branch require improvement. We noted a need for controls to ensure all fees and charges have been billed and for controls over other adjustments to the Crown Lands Registry System. We also noted a need to strengthen central controls over accounts receivable. Officials are working towards addressing our recommendations.

Public Trustee's Office - Staffing of the Client Administration Section (page 76)

We initiated an audit in consultation with the Public Trustee. We selected staffing within the Client Administration Section for our audit. In our audit we attempted to obtain and review information regarding the Office's strategic plan, account complexity classification process and staff performance evaluation process. This information was not available. Without such information in place, it was not possible to form a conclusive opinion on whether the Client Administration Section was appropriately organized and staffed to meet its mandate. The Public Trustee acknowledged they were aware of the need for this information prior to our audit and had taken action on a number of these items.

Public Trustee's Office - Computer Control Review (page 92)

We carried out an audit of the Public Trustee computer system. The audit encompassed activities performed by the Department of Justice - Senior Management, Management of the Public Trustee's Office and the Department of Justice - Information System Group.

Our audit recommendations include the need to ensure that new systems and major enhancements to existing systems be appropriately monitored by the Department of Justice - Senior Management. We also recommended that the Public Trustee's Office arrange for a post implementation review of the system to identify areas requiring further attention and to provide the Public Trustee with recommendations for improvement for future systems development projects. With respect to the Department of Justice - Information System Group, we recommended that standards be developed for system development and acquisition of information systems.

At the time of our audit, we reported that action was being initiated to address our recommendations. Management has indicated to us that subsequent to the date of our report, further progress has been made to improve in all areas reported.

New Matters - Positive Findings

Our overall evaluations on other "New Matters" were generally positive, although the detailed reports indicate those opportunities for improvement which were reported to management.

Department of Culture, Heritage and Citizenship - Grant Accountability Practices and Procedures (page 18)

We concluded that the Department complied with the General Manual of Administration and the Financial Administration Manual in all significant respects.

Department of Culture, Heritage and Citizenship - Multicultural Grants Advisory Council (page 21)

We concluded that the grant accountability system was appropriately designed, in all significant respects.

Department of Housing - Shelter Allowance for Elderly Renters Program (page 31)

We concluded that internal control systems over the payment of SAFER benefits are generally adequate.

Department of Industry, Trade and Tourism - Vision Capital Fund Limited Partnership (page 38)

The management practices of the Board of Advisors are generally appropriate. We observed that:

- there was sufficient appropriate justification for awarding the new management contract without benefit of a tender or the performance of a formal executive search and for terminating the former Fund manager;

- the Board followed an appropriate process to ensure the reasonableness of the Manager's remuneration; and

- the Board has taken appropriate action to ensure it can perform a meaningful ongoing assessment of the manager's representations and performance.

Department of Justice - Brandon Correctional Institution (page 47)

Overall, we were satisfied that the management and staff of the Brandon Correctional Institution were working to ensure that the Institution's practices, policies and procedures were adequate to provide accountability for, and protection of, public funds.

Department of Natural Resources - Monitoring of Accounts Receivable (page 64)

We concluded that the Financial Services Branch - Licensing Section has adequate internal controls over accounts receivable in all significant respects.

Manitoba Health Services Commission - Internal Control Systems (page 71)

We concluded that the internal control systems are adequate in the following areas:

- the issuance of Medical Registration Certificates;
- the processing of medical claim payments;
- the processing of pharmacare claim payments;
- the processing of general facility payments; and
- the processing of facility payments related to capital construction.

Manitoba Lotteries Foundation - Video Lottery Terminals (VLT) Program (page 74)

We are satisfied that the Foundation followed appropriate practices and procedures in acquiring fixed assets pertaining to the VLT program. The Foundation introduced the VLT program based on its reasonable assured profitability and demonstrated appropriate consideration for alternate computer systems options, including the Western Canada Lottery Corporation computer system. Acquisitions were made with due regard for economy and were appropriate to meet program requirements and Foundation specifications. The Foundation monitored the implementation of the VLT program based on an appropriate approved plan and complied with relevant authorities. Our report includes information regarding the economic impacts of the VLT program on the private business sector and the rationale for locating the Video Lotto Division in Morris as well as for leasing an existing building for office premises.

Rehabilitation Centre for Children, Inc. (page 104)

We concluded that the Centre has established adequate systems and procedures to ensure financial reporting is reliable and timely, in all significant respects.

University of Manitoba - Trust and Endowment Funds (page 107)

We were satisfied that the internal controls in place over the Trust and Endowment Funds were generally adequate.

Other Broader Scope Audits

In addition to the positive findings detailed in certain of the "New Matters," we also conducted broader scope audits regarding various internal control systems, program management and program divestiture.

For each of the following broader scope audits, we were able to report to management that the internal control systems, in all significant respects, were adequate. However, we also identified opportunities for improvement as a result of certain of these audits. In all instances, management agreed to initiate the improvements.

GOVERNMENT PROGRAM	INTERNAL CONTROL SYSTEM
The Manitoba Securities Commission	Revenue Transactions
The Manitoba Centennial Centre Corporation	Cash Receipts
The Criminal Injuries Compensation Board	Applications for Compensation
The Soil Conservation Agreement	Payment Transactions
Selkirk Human Resources Opportunity Centre	Payroll
Le Centre Culturel Franco-Manitobain	Cafe Jardin Sales System
Liquor Control Commission	Purchases of Spirits, Wine and Beer
The Manitoba Sport Directorate	Grants to the Manitoba Sports Federation
Manitoba Hazardous Waste Management Corporation	Purchases, Payments and Payables
The Office of the Public Trustee	Common Fund Transactions
University of Manitoba	Student Tuition Fees and Payroll
University of Winnipeg	Student Tuition Fees and Payroll

We also conducted broader scope audits of the Career Start Program, the Rural Development Bond Program and the Silicon Products Commercial Development Program. These audits concluded that appropriate management controls were in place for the planning and controlling of the programs.

In addition, we audited the sale of the Soil Testing and Feed Analysis Laboratories and the Sale of the Manitoba Veterinary Drug Centre. We concluded that the sale processes were appropriate. Specifically we determined that interested parties were provided with an equal opportunity to submit bids and the purchasers complied with the terms of the sale agreements.

During the year we conducted broader scope audits at several government entities that administer pension and insurance funds on behalf of Manitoba's civil servants and other public sector employees. The purpose of our audits was to evaluate internal control systems for benefit payments and investment purchases and to assess the effectiveness of investment management and the effectiveness of annual reporting to plan members.

We conducted our audits at the following government entities:

1. Brandon University Retirement Plan;
2. Civil Service Superannuation Fund;
3. Municipal Employee Benefits Funds;
4. Public Service Group Insurance Fund;
5. Teachers' Retirement Allowances Fund;
6. University of Manitoba Pension Plans; and
7. University of Winnipeg Pension Plan.

We evaluated the benefit payment systems at all seven entities listed above and evaluated the investment purchases systems at entities 2, 3 and 4 above. We concluded that internal controls, in all significant respects, are adequate.

The objective of our audits of annual reporting to plan members was to assess the integrity, quality and timeliness of annual reports distributed, including compliance with the requirements of The Pension Benefits Act. We assessed the annual reporting to plan members at entities 1, 3, 5, 6 and 7 above and concluded that annual reporting is effective, in all significant respects and it complies with requirements of The Pension Benefits Act. In four of five entities, we also identified opportunities to improve the annual reporting to members by including additional relevant information of interest to the members.

The objective of our audit of the investment management process was to assess the effectiveness of investment performance evaluation and to assess compliance with the applicable legislation. We assessed the investment management process at the Teachers' Retirement Allowances Fund and concluded that the process is adequate. We identified four areas where the effectiveness of investment evaluation could be improved. Management of the Fund is supportive of these recommendations for improvement.

Previously Reported Matters

In the last two sections of this report are the detailed status of action for all previously reported recommendations. Progress has been made in all areas.

We wish to draw your attention to the action required by the Standing Committee of the Assembly on Privileges and Elections to address our recommendations on the Office of the Chief Electoral Officer (page 165). The 1988 Elections Manitoba annual report and other current annual reports should be reviewed by the Committee on a timely basis. The Committee should provide appropriate support or direction for Elections Manitoba to initiate necessary action to implement the recommendations contained in the report.

Accountability

Good progress has been made towards greater accountability, but more work is required. Specifically, departments have provided a status report on their progress in implementing Government's Management Practices policy. Status reports have been analyzed and results are to be shared with Deputies in an effort to improve management practices (page 145). Also, departments have been reminded of the importance of meaningful results oriented information in the "Supplementary Information for Legislative Review" (page 176). Options for strengthening Crown Agency Accountability will be presented to the Minister of Finance (page 147). All of these initiatives contribute to strengthening accountability.

Guidance and Central Support

The following progress has also been made in areas where guidance and central support is required. Comprehensive policies and procedures regarding departmental accounts receivable have been drafted for inclusion in the Financial Administration Manual which are currently awaiting Treasury Board approval (page 146). A government-wide information technology strategy has been completed and is currently in the review phase (page 146). A project plan to improve the Financial and Management Information System is in place and work is ongoing. Currently the project is in the feasibility study phase. Next steps, following determination of the extent to which current business processes can and should be re-engineered, include a review of the Federal Government's Financial Information strategy and an evaluation of their custom developed software with a view to determining the feasibility of implementing their system (page 164). A strategic review of the Government's Internal Audit function has been completed and a draft report is currently being circulated for comments (page 165). The progress in each of these areas will assist in providing departmental managers with guidance and support in achieving their established objectives. We look forward to seeing complete resolution of each of the recommendations requiring attention.

NEW MATTERS

Format of this Section:

This section contains the full text of the more significant reports we released during the year. Each report provides you with information about the Government program, our audit objectives, the scope of our audit, our conclusion, observations and recommendations. The report also provides you with comments of officials which were obtained at the time of our audit. We have indicated the date that we completed our audit work at the end of each report.

Department of Culture, Heritage and Citizenship - Grant Accountability Practices and Procedures

Introduction

The Department of Culture, Heritage and Citizenship provides grant assistance to major provincial cultural organizations. The Department's two largest grants are provided to the Manitoba Museum of Man and Nature (the Museum) and to the Winnipeg Art Gallery (the Gallery). For the year ended March 31, 1992, the Department provided operating grants of $2,459,500 to the Museum and $1,963,700 to the Gallery.

Objectives and Scope

We recently completed inspection audits of the Museum and the Gallery under authority of Section 17(4) of The Provincial Auditor's Act. In conjunction with these audits, we conducted an audit of the Department's grant accountability practices and procedures for grants provided to the Museum and the Gallery. This included an audit for compliance with the General Manual of Administration and the Financial Administration Manual for these grants. While our scope did not extend to a general review of the Department's grant accountability practices and procedures, consideration should be given to implementing our recommendations generally, to the extent applicable.

Our examination was carried out in accordance with public sector auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Conclusions

We concluded that although the Department complied with General Manual of Administration and the Financial Administration Manual in all significant respects, we noted opportunities for improvement. Recommendations that follow will serve to strengthen the Department's grant accountability practices and procedures.

Observations and Recommendations

1. Memoranda of Agreements

In its 1988 report, "External Review of Culture, Heritage and Recreation Grant Funding", Prairie Research Associates Ltd. recommended that the Department should have memoranda of agreements with the extra-departmental agencies it funds. The Department has not developed memoranda of agreements for operating grants provided to the Museum and the Gallery. Agreements would set

the levels of and preconditions for funding as well as the scope of responsibilities and obligations for both parties. Because there is no formal agreement, objectives are not set and accountability for results can not be measured effectively.

We recommend the Department negotiate memoranda of agreements with the larger organizations it funds.

Comments of Officials

The Department has developed contracts governing its capital program contributions to the major extra-departmental agencies as well as agreements with its Lotteries Distribution umbrellas. Agreements governing operating support to the largest agencies will also be developed as resources permit.

2. Representation on Board of Governors - Winnipeg Art Gallery

The Winnipeg Art Gallery's governing bylaw allows the Lieutenant-Governor-in-Council to appoint a Board Governor. This option has never been exercised and consequently the Province has no representation on the Gallery's Board of Governors.

The Winnipeg Art Gallery receives significant provincial funding. It is appropriate that the Lieutenant-Governor-in-Council have authority to appoint a member to the Gallery's Board of Governors. Such appointments would be full participating members, with all the attendant responsibilities and rights accorded any other Board member.

We recommend that the Province appoint a representative to the Board of Governors of the Gallery.

Comments of Officials

The Winnipeg Art Gallery was established by a Private Act. Recently, the Department negotiated with the Gallery a change in the bylaws to permit up to 3 provincial appointments to the Board of Governors. It has long been the Department's contention that a single appointment is insufficient to represent the Province's interests in the Gallery. The Department is in the process of discussing the desired qualifications of its appointments with the Gallery.

3. Grant Confirmation

The Province has not approved grant applications on a timely basis. Both the Museum and the Gallery have operating years which run from April 1, to March 31. The Province confirmed the Museum's 1991/92 grant amount in April 1991, and the Gallery's grant amount in June 1991. This is an improvement over the

previous three years, when confirmation was provided from 5 to 8 months into the operating year.

Grant recipients have difficulty planning and budgeting when funding levels are not known until well into the operating year. Good management practices require budgets and resource allocations to be in place well in advance of the operating year.

We recommend that the Department review its funding approval process to ensure that funding decisions are made and communicated to funded organizations on a timely basis.

Comments of Officials

The Department operates within the Government's estimates cycle, which has been atypical over the recent years. The Government has expressed its desire to return to a normal estimates cycle and in the current year, the agencies received their notification of funding levels in March before the commencement of their 1992-93 fiscal year. Agencies are notified of their levels as early in the approval process as current Treasury Board budget policy permits.

4. Financial Monitoring-Variance Analysis

The Department does not require funded agencies to submit explanations where actual operating results vary from budget. The Department receives financial reports monthly from funded agencies. Financial analysis of these reports would be improved by asking funded agencies to provide written variance explanations where actual operating results vary significantly from budget. Otherwise, the Department may not be fully aware of significant deviations from budgets and the underlying reasons. Variance analysis may reveal inadequate or excessive funding or other problems so that timely corrective action can be taken.

We recommend that the Department improve its monitoring by requiring funded organizations to provide variance explanations with financial reports.

Comments of Officials

The Department prepares a quarterly summary of operating results of the agencies to make senior executives and the Minister aware of potential problems. While written variance explanations have not been required, certain of the agencies provide them to both their Boards and to the Department.

The Department will require all agencies to provide written variance explanations on a quarterly basis effective in the 1993-94 fiscal year.

5. Assessment of Management Practices and Procedures

The Department does not assess the appropriateness of management practices and procedures at the Museum or the Gallery. Without a formal review process, the Department is unable to determine if organizations funded by the Department have appropriate practices and procedures in place to ensure accountability and protection of public funds.

We recommend the Department develop a process for the ongoing review and assessment of the management practices and procedures of organizations it funds.

Comments of Officials

The Board of Directors and senior management of the agencies have responsibility for appropriate management practices and procedures. The Department will use Inspection Audit reports and the subsequent action plans as the basis for further discussions.

The Department will formally convey to the agencies its expectation that they undertake periodic external audits reviewing management practices and processes and report regularly on progress toward the audit recommendations.

August 25, 1992

Department of Culture, Heritage and Citizenship - Multicultural Grants Advisory Council

Introduction

The Multicultural Grants Advisory Council was established under the authority of The Manitoba Lotteries Foundation Act by Order-in Council 1060/89 dated August 30, 1989. The Council is to:

> "advise the Government of Manitoba, through the Minister of Culture, Heritage and Citizenship, with respect to the distribution of lottery funds to the multicultural community".

For the year ended March 31, 1992, the Department of Culture, Heritage and Citizenship provided the Council with a budget of $90,000 in salaries and other expenditures and $919,200 in grant assistance to the multicultural community organizations. An additional

$310,000 in grant assistance was provided by the Manitoba Lotteries Foundation.

Objectives and Scope

Our audit was initiated to evaluate the adequacy of the grant accountability system. We also sought to determine whether the Council was in compliance with its Legislative Authorities.

Our audit objectives were designed to determine if:

- an appropriate grant application system was in place;
- applications were evaluated against established criteria and the decision making process over allocations was adequately documented;
- the internal controls within the payment system were appropriately designed to ensure that the grants were distributed to the intended recipients;
- the reporting system provides management with essential financial information;
- the grantees were subjected to an appropriate monitoring and evaluation process;
- the Council reports on its activities on an annual basis in accordance with established Government guidelines; and
- Council members appointments and terms were in accordance with the authorizing order-in-council.

Our audit was conducted in accordance with public sector auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Our findings are based on the systems in place for grants issued for the year ended March 31, 1992.

Conclusion

We concluded that the grant accountability system was appropriately designed, in all significant respects. Our audit did identify opportunities for improvement in the system in the following areas:

- documentation in the application system and allocation process;
- internal controls within the payments system;
- verification of information provided by grantees in their evaluation reports; and
- the content of the Council's annual report.

We determined that the Council was not in compliance with Legislative authorities pertaining to the appointment and terms of its members.

Our observations and recommendations are presented in the following sections.

Observations and Recommendations

Application System

The Council has an appropriate grant application system. However, our audit indicated that the file documentation to demonstrate that all applicants have complied with the application criteria needs to be improved.

A separate grant file is maintained for each grant and includes a check list to document receipt of the required supporting information. However, for the grant files we examined, certain required supporting documentation was not on file nor marked off on the check list.

We recognize that there can be situations where all the supporting information is not available or not necessary to adequately assess the application. In such instances, the justification for exempting the applicant from meeting certain established criteria should be noted in the file and on the check list. Such documentation assists the Council in demonstrating that all applications have been given equal consideration.

We recommend the check lists be completed, with any exemptions to the established criteria being adequately documented.

Comments of Officials

Organizations normally apply for financial support three times a year. There are times when required supporting documentation is not in each file as organizations usually provide certain documentation only the first time they apply. In these instances, or if exemptions are granted, a notation will be made on the check list in each file.

Allocation Process

Our audit disclosed that the grant files did not contain adequate documentation to identify the evaluation considerations and rating methodology used by the Council to allocate grants.

The allocation process requires that a "control and certification of disposition" form be completed to record each Council decision. This form includes a separate section headed "rationale" designed to document the rationale used in reaching each decision. However, the "rationale" section was not completed for any of the grant files we reviewed. We were informed that the rationale is discussed, in detail, during the allocation meetings.

However, there was little evidence to support this either in the grant files or in the Council minutes.

The Council needs to establish formal procedures to document the criteria and the rationale used to evaluate and rate applications. These procedures will provide the essential information needed to demonstrate the process is fair and equitable and help the Council allocate the grants in the most effective manner. They will also help the Council justify the decisions made in the event of an appeal.

We recommend the Council develop the appropriate practices to improve the documentation of the grant allocation decisions.

Comments of Officials

Application summaries with the required documentation attached, together with a detailed "staff recommendations" report are provided to Council members prior to each allocation round. Every application is then discussed on a case by case basis. The Council has some flexibility in determining the allocation of grants. Normally the "rationale" to support the Council's decision is simply written as "staff's recommendations". In cases where the "staff's recommendations" is amended by Council, the "rational" section of the control and certification of disposition form will be completed to document Council's decision.

Payments Process

During our review, we noted opportunities to improve the internal controls within the payments system.

Procedures within the payment system should be designed to ensure that grants were actually received by the intended recipients. Verification of grant payments to audited financial statements provides assurance that the grants were distributed to the intended recipients. In the absence of audited financial statements, on-site visits, on a cyclical basis, to verify the receipt of the grant payment to the recipients records is a reasonable alternative.

The Council mainly relies on information provided and certified by the organization's executives and on the on-going contact with organization representatives to ensure grant were received as intended. We recognize that due to the size of the organizations funded by the Council audited financial statements are not always available. When audited financial statements are not available, alternative procedures such as periodic visits to verify receipt of the intended grant payment should be implemented.

We recommend the Council review the procedures within the payment system with the view of strengthening its procedures to ensure that grants are distributed as intended.

Comments of Officials

The Council agrees to review its reporting procedures to ensure that the final financial report reflects receipt of the grant.

Monitoring and Evaluation Process

The evaluation process over the effectiveness of grants needs to be enhanced. Presently, the Council's process requires each grantee to complete a standard evaluation report. The information contained in these reports is accepted by the Council at face value. Procedures need to be developed to ensure the information provided is accurate.

Grantees should be visited on a cyclical basis to confirm the information contained in the evaluation reports. In addition, on-site visits would enable the Council to determine that the grants were used for the purposes intended and that the original objectives of the grant were met. The Council has recently started a process to review grants made to rural organizations. The Department's Regional Services Branch has agreed to provide such a review. The Council is considering a process where Council members would provide a similar review of the grants allocated to urban organizations.

Program evaluation is an important element of the accountability process. It provides the opportunity to measure program effectiveness against program objectives and helps in allocating scarce resources.

We recommend an appropriate plan to verify information provided by grantees in their evaluation reports be developed.

Comments of Officials

The monitoring and evaluation process of the Council is relatively new. Verification of information through on-site inspections will be done on a cyclical basis.

Annual Reporting

Our review of the Council's annual report indicated there are opportunities to enhance the content of the report.

The Council prepares a report on its activities which is included in the Department of Culture, Heritage and Citizenship's annual report. The content of the annual report would be more complete if the Council provided a listing of all grant allocations made during the year. Such listings would act as an additional control procedure by providing the grantees and their auditors with a published list against which they can compare their records. Also, a listing of Council members would be appropriate.

By providing these listings, accountability would be strengthened. This information is

valuable to the Multicultural community and annual report disclosure would be more in line with that of similar organizations.

We recommend Council include a listing of all grants allocated during the year and a listing of Council members in their annual report.

Comments of Officials

The Council prepares a report on its activities which is included in the Department of Culture, Heritage and Citizenship's annual report. In future years the report will include a listing of Council members. Annually, the Department prepares a listing of all grants paid which is available upon request.

Non-compliance with Legislative Authorities

Our review disclosed non-compliance with Legislative authorities pertaining to the appointment and terms of Council members.

Council members are appointed by the Lieutenant Government in Council under the authority of the Lotteries Foundation Act. Order-in-Council 1060/89 dated August 30,1989 established the Council, appointed the Council members and set the terms of the appointments. Order-in-Council 101/91 dated January 30, 1991 amended certain appointments.

Our audit disclosed that the appointments had expired for 13 out of the 15 current Council members.

An Order-in-Council is the executive document, issued by cabinet on the recommendation of the Minister responsible, that provides the Council's authority. The authorizing Orders-in Council are initiated through the Department's executive branch. The Council should, in conjunction with the Department's executive branch, have a system in place to ensure the Council is in compliance with its Legislative authorities.

We recommend the appropriate Orders-in-Council be obtained as soon as possible. We also recommend an appropriate system be established to ensure compliance with applicable legislation.

Comments of Officials

Appointment and terms of members of Council have been brought current by Order-in Council 831/92 dated September 16,1992. A simple automated system has been designed and implemented by the Department's executive branch to provide early warning of expiry dates for appointments of members of all departmental boards and agencies.

October 20, 1992

Department of Environment - Management Information System for the Environmental Operations Division

Introduction

The primary functions of the Department of Environment, Environmental Operations Division are:

- the administration and enforcement of legislation and regulations pertaining to the environment and public health under The Environment Act, The Dangerous Goods Handling and Transportation Act, The Waste Reduction and Prevention Act, The Public Health Act and the recently proclaimed Ozone Depleting Substances Act;

- the administration of regional approval for certain permits and licences under The Environment Act and The Public Health Act;

- emergency response services;

- monitoring services, including sample taking and coordination with central scientific staff and staff of other departments; and

- the establishment and maintenance of community liaison activities, including provision of information to the public, organizing local environmental activities and addressing local environmental priorities.

The Department has been implementing a regional reorganization, since receiving Treasury Board approval during the fiscal year ended March 31, 1990, which was substantially completed by June 1991. A regional head office is located within each of five regions. These offices are supported by a network of sub-offices and the Division's central office. Various programs and activities continue to be systematically transferred to the regions. Being organized on a regional basis throughout the province is expected to provide more client-focused services.

Objectives and Scope

We conducted an audit of the management information system for the Environmental Operations Division during May 1992. This system provides management with the information to monitor the administration and enforcement of legislation under the responsibility of regional operations of the Division.

A management information system should collect and present results oriented information for all critical aspects of the operations. Actual results should be compared to plans and

other information presented which would assist management in monitoring the operations, identifying problems and taking corrective actions on a timely basis.

During the course of our audit we also sought to identify other matters requiring attention.

Our audit was conducted in accordance with public sector auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Conclusion

We concluded that the Division's management information system requires improvement. We found that management needs to identify the results oriented information required to monitor operations and to establish systems to collect and report it on a timely basis. Identifying the results oriented information required to monitor the operations is an integral part of the planning process. The Department is actively developing its planning process. It has developed a department-wide strategic plan and is commencing planning at a divisional level. However, the planning process has not yet been fully developed to the point where results oriented information has been identified. Consequently, the management information system cannot be as effective as expected.

During the audit, we also noted the following matters which require management attention:

- working agreements should be developed with the Department of Health and the City of Winnipeg to clarify the roles, responsibilities and accountabilities of the Division's staff for the administration and enforcement of certain regulations under The Public Health Act and the City of Winnipeg by-laws; and
- inspection guidelines should be reviewed, updated and reissued, and
- program risks should be assessed and Divisional objectives priorized.

Our detailed observations and recommendations are set out below.

Observations and Recommendations

1. Management Information System

We found that management needs to identify the results oriented information they require and to establish systems to collect and report it on a timely basis. The following observations were noted:

- information reporting standards have not been established for the regional offices;
- existing reports do not include actual results information compared against planned results;

- existing reports do not provide a linkage from inspections to enforcement activities. Both are integral parts of the inspection process; and
- information on inspections and enforcement activity is not reported on a timely basis.

The quality of information that is collected and reported affects the decision making and performance assessment activities of management. The information should be collected and presented on a results oriented basis with a comparison of actual results against planned outputs. Factors such as quality, timeliness, quantity and relevance must all be carefully considered in setting up a management information system which will provide management with the needed information at the right time. Appropriate and timely information can improve management's ability to anticipate problems and initiate corrective action on a timely basis.

We recommend that management of the Division identify the results oriented information requirements at all Divisional levels and establish appropriate information collecting and reporting systems.

Comments of Officials

Officials of the division agree with the conclusions and recommendations of the Auditor's report regarding an effective management information system. Preliminary discussions have taken place and steps will be taken to have a system in place by the start of fiscal year 1993/94.

2. Working Agreements; Department of Health and City of Winnipeg

The Department of Environment is responsible for the administration and enforcement of certain Regulations under The Public Health Act in accordance with Cabinet Committee directives. The Department also shares responsibility for the delivery of public health inspection services with the City of Winnipeg. The specific duties and responsibilities assumed by the Departments of Environment and Health and the City of Winnipeg, however, have not been documented in formal working agreements.

A number of concerns regarding the relationship between the Departments of Environment and Health have emerged over the years and have been discussed by various working groups. These concerns were raised during our interviews with staff and include; unclear roles and relationships, a need to update The Public Health Act and Regulations and an increasing emphasis on environment issues which could result in a potential redirection of resources available for the administration and enforcement of public health regulations.

Coordination of activities is necessary for cooperative programs to be delivered in an efficient and effective way. Formal working agreements would assist with the coordination by clearly setting out each party's roles, responsibilities and

accountabilities. The agreements should provide standards and expectations for inspections. This would help ensure that appropriate standards and a consistent approach were applied for inspections.

We recommend that the Department of Environment, in consultation with legal counsel, work with the Department of Health and the City of Winnipeg to develop formal working agreements which clearly set out each parties' roles, responsibilities and accountabilities.

Comments of Officials

Officials of the division are in agreement with this recommendation. Although various committees have been established over the years to rationalize delivery of these services through consolidation of staff and resources, we believe that the delivery of services, as it presently stands, will remain. Based on the current arrangements and utilizing a cooperative approach with the City of Winnipeg, the Department of Health, and Legal Counsel, we will endeavour to take the necessary steps to develop formal working agreements.

3. **Inspection Guidelines**

Prior to the reorganization of the Division, an "Inspection Services Programs" manual was provided to the staff. The manual provided information and guidelines on the purpose, objectives, general procedures, performance standards and frequency of inspections. An updated draft was prepared in January 1990. However, it was not released to staff due to the pending regional reorganization. As a result, staff do not have access to up-to-date and complete inspection guidelines for all areas of administration and enforcement.

In addition, responsibility for development of inspection guidelines has shifted from the central function to the regions. Development of guidelines by the regions without central coordination could result in inconsistencies in the standards and approach for inspections.

Guidelines help staff understand what is expected of them in the performance of their duties. Centrally coordinated guidelines clarify management expectations and ensure staff have appropriate direction regarding performance standards and frequency of inspections.

We recommend that the Division review, update and reissue the inspection guidelines.

Comments of Officials

Officials are in agreement with this recommendation. Subject to legal advice

regarding liability issues associated with pre-established inspection frequencies and procedures, we will review and update the guidelines as quickly as possible.

4. Planning Priorities

Several new provincial acts and regulations relating to the protection of the environment have been passed over the last few years. Also, new public health by-laws have been passed by the City of Winnipeg which include mandatory inspection obligations that increase the duties of the Environmental Operations Division staff. These added responsibilities result in increasing demands being placed on departmental resources.

The Division should assess its program risks and priorize its objectives in accordance with the plans of the Department. Priorization assists in the decision making process and in resource allocation. A risk assessment approach may be used to identify where inspections risks are greatest so that resources can be allocated accordingly.

We recommend that the Division, as part of its planning process, assess its program risks and priorize its objectives.

Comments of Officials

We agree with this recommendation. Steps have already been initiated through the development of Regional Strategic Plans. This effort will continue on both a regional and province-wide basis and will include risk assessment in developing program priorities.

October 20, 1992

Department of Housing - Shelter Allowance for Elderly Renters Program

Introduction

The Shelter Allowance for Elderly Renters (SAFER) program was created in 1980. It was originally established by The Manitoba Housing and Renewal Corporation Act with terms and conditions of the program enacted by Regulation. The Manitoba Housing and Renewal Corporation (MHRC) was responsible for delivery of the program including the review and modification of variables used to calculate the level of entitlement.

In 1984, when the Department of Housing was formed, responsibility for the SAFER program was transferred to the Department of Housing. Program delivery responsibilities previously held by the MHRC and its Board, and as detailed in the SAFER Regulation, became the responsibility of the Minister of Housing.

SAFER provides direct monthly cash assistance to persons aged 55 and over who rent their living accommodation in the private rental marketplace and meet the income and rent limit requirements of the program. The maximum benefit payable under the program is $160 per month. During fiscal 1991, approximately 4,700 pensioner households received benefits. The average benefit paid was approximately $81 per month or $975 annually. Total expenditures for the year ended March 31, 1991 were $4,553,400.

Objectives and Scope

The objectives of our audit were to determine whether:

- management systems and controls are adequate to ensure the program is delivered in compliance with the SAFER program's legislative authority, and

- internal control systems over the payment of SAFER benefits are adequate.

Our audit was conducted during the month of March 1992.

Audit criteria were designed to address management objectives for controlling the SAFER program. Management's objectives for internal control should be to ensure, as far as practical, the orderly and efficient delivery of the SAFER program, including:

- compliance with legislation and other significant authorities;
- prevention and detection of fraud and error;
- safeguarding of assets and public property;
- reliability of accounting records;
- timely preparation of reliable financial information.

Our audit was conducted in accordance with public sector auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

During the course of our review we noted that the Shelter Allowance for Family Renters (SAFFR) program and the Pensioner Tenant School Tax Assistance (PTSTA) program shared the same staff as the SAFER program and had similar adjudication and processing procedures. As a result, management should consider the observations and recommendations contained in this report for application to the SAFFR and PTSTA programs.

Conclusion

We concluded that:

- management systems and controls were not adequate to ensure the SAFER program is delivered in compliance with legislative authority. The program was delivered in accordance with publicly announced policy and recipients received the intended benefits. However, the SAFER regulation has not been updated in accordance with the changes in the program's eligibility requirements since 1987.

- internal control systems over the payment of SAFER benefits are generally adequate. However, we identified opportunities to improve the internal control systems as follows:

    - the monthly reconciliation of the cheque file should be reviewed and approved,

    - the cheque register and the client registry system should be reconciled on a regular basis, and

    - actions taken by staff to resolve problem items identified on edit and control reports should be reviewed and approved.

In addition, we observed a need for management to:

- ensure the timely updating of policy and procedure manuals, and

- review the current policies and practices regarding the processing of minimum amount benefit payments.

Observations and Recommendations

The following comments outline our detailed observations and recommendations.

1. Legislative Authority

The SAFER program, as it is currently delivered, is not in compliance with certain requirements of the SAFER Regulation. This situation has occurred because the Department, in 1987, implemented a change to the program's eligibility requirements but did not amend the SAFER Regulation accordingly. While the change in eligibility requirements was approved by the MHRC Board, and by the Minister of Housing as Chairperson, Section 44 of The Housing and Renewal Corporation Act requires that changes to MHRC regulations be approved by the Lieutenant Governor in Council. We have been advised by the Director of Program Development and Support that as a result of administrative uncertainty with regards to programs transferred to the Department from the MHRC, an order-in-council

recommending a change to the SAFER Regulation was never submitted for approval. In our view, the change in eligibility requirements should not have been implemented until an amendment to the SAFER Regulation was approved by the Lieutenant Governor in Council.

We recommend that the Department take the necessary action to amend the SAFER Regulation to reflect the eligibility requirements implemented in 1987.

Comments of Officials

The Department agrees that the SAFER Regulation was not amended in accordance with the changes in program eligibility in 1987, resulting in the program's current operation being not in compliance with certain requirements of the Regulation.

The Department implemented eligibility changes announced in the 1986 Manitoba Budget Address and approved by the MHRC Board of Directors and the Minister of Housing, and is of the view that no client was denied benefits to which they were entitled by the failure to amend the SAFER Regulation.

The Department is taking action to rectify the technical error in implementing the 1987 eligibility changes.

2. Monthly Reconciliation of the Cheque File

The monthly reconciliation of the cheque file totals, for the current month's benefit payments to the prior month totals, are not reviewed and approved by the Coordinator. This reconciliation is prepared to ensure the accuracy of the changes processed in the cheque file prior to the printing and issuing of cheques. The timely approval by an appropriate official will better ensure this critical control procedure is performed accurately and on a timely basis.

In addition, we observed that the SAFER cheque run request form is authorized and submitted for processing by the clerk who prepares the monthly reconciliation of the cheque file. In our view, the Coordinator should also approve and submit the cheque run request. This will better ensure that the cheque run is not requested until the reconciliation is appropriately performed.

We recommend that the Coordinator review and approve the monthly reconciliation and authorize the cheque run request.

Comments of Officials

The Department agrees that there is merit in having the Coordinator review and sign off on the Monthly Reconciliation Report and the Cheque Run. Procedures have been modified to include this second person review. Data entry staff have

also been notified that the Coordinator's signature is required before the Cheque Run can be initiated.

3. Data Integrity

The Client Registry is a central client data base maintained by Client Services. The Registry lists the benefit recipients of all programs administered by the Department. All applications for SAFER benefits are entered into this system and compared against the data base to identify other benefits received. In our view, this is an excellent process for preventing applicants from participating in multiple but mutually exclusive Department of Housing programs. The Client Registry, however, is maintained independently from the SAFER benefit payment system. We note that a reconciliation process has not been implemented to ensure the SAFER clients listed as active in the Client Registry are in agreement with those currently receiving SAFER benefits, as detailed on the SAFER benefit payment cheque register. Such a reconciliation would assist in ensuring the data integrity in both the Client Registry system and in the SAFER benefit payment system.

We recommend that Client Services reconcile on a regular quarterly basis the SAFER cheque register to the active clients listed in the Client Registry. Differences should be investigated and appropriate corrections made. This could be done by a visual manual comparison of data or by an interface program between the two systems.

Comments of Officials

Although the Client Registry computer system does not result in the payment of any benefits, the Department agrees that data on both the SAFER system and the Client Registry system should be periodically compared to ensure integrity of data on the Client Registry.

The Department is currently investigating the possibility of an automated comparison process between the two systems. On a cost efficiency basis, the Department will consider the necessity of carrying out this process on a quarterly basis and will be considering other options, including an annual review cycle.

4. Review of Edit and Control Reports

Edit and control reports are automatically produced by the computer system whenever data is processed. These reports highlight problems with data entered in the system and alert staff to corrections that may be required or problems with an applicant's eligibility for benefits.

We observed that there is no evidence of review and approval by the Coordinator of the actions taken by SAFER staff to resolve or verify edit and control report

items. Such a review would better ensure the appropriate and timely resolution and verification of all reported items.

In addition, we observed the following:

- the edit reports do not indicate the disposition actions taken to resolve problems,

- the edit reports do not indicate whether the rejected document was resubmitted for processing, and

- batch headers do not indicate the removal and resubmission of documents originally processed in the batch.

Consequently, the nature of action taken is not readily apparent. Also, the management trail for tracking a document through the system requires searching through batches rather than following specific cross references.

We recommend that the Coordinator review and approve the edit and control reports. We further recommend that staff document the actions taken to resolve the problems identified on the edit reports and that the Director of Client Services establish an appropriate process for keeping track of input documents removed from their original processing batches.

Comments of Officials

The Department concurs with the audit comment. Internal procedures have been revised such that disposition action is now recorded on edit reports and documents are no longer pulled from their original batch. The Coordinator now reviews and approves the Edit and Control reports.

5. Policy and Procedure Manuals

Client Services prepares a Policies and Decision Requests Manual. This Manual documents decisions made for unusual situations requiring interpretation of the Regulations. In our view, the Manual provides an excellent reference regarding the application of the Regulations and helps ensure that there is fair and consistent application of Regulations. The Manual also helps to identify an area that requires a formal policy as well as potential problem areas in the Regulations that may require amendment. We support the branch's efforts in this area.

The Financial Adjudication Manual was developed to assist the adjudicators appropriately perform their responsibilities. We noted that the sections relating to the procedures for the preparation of manual cheques and for the pulling of cheques prior to issuance by the Department of Finance have not been revised to reflect the changes in procedures resulting from the transfer of the SAFER program

from the MHRC to the Department of Housing.

We recommend that the Director of Client Services review and update the Financial Adjudication Manual to ensure that the Manual accurately describes current systems and procedures.

We also recommend that Client Services initiate a regular review process for all manuals used by the Branch to ensure that all manuals are updated for changes in procedures and systems.

Comments of Officials

Policy Manuals are current and are updated on a regular, as needed basis. The Financial Adjudication section of the Procedures Manual is currently being updated to reflect changes which have occurred since the Department of Housing was formed. The Director of Client Services will be implementing an annual review and updating process for all procedure manuals.

6. Minimum Benefit Payments

The minimum monthly payment level was established when the program was initiated in 1980. Under the current Regulations, SAFER benefits can be as low as $1.00 per month. The payment of monthly benefits which are $5.00 or less, however, are deferred and only paid twice a year.

The Director of Client Services has advised us that a review has not been performed to determine the value to the recipient of small benefit amounts. We note that in 1991-92, 72 applicants eligible for small benefits declined them. We also noted that for income tax purposes, SAFER benefit recipients are required to deduct SAFER benefits received from their property tax credit claim. As a result, the payment of SAFER benefits which are less than the available property tax credit amount represents an advance of the property tax credit. As at March 31, 1992 308 or 8% of SAFER recipients receive $360 per year or less. We estimate that this represents $74,700 per year in SAFER program expenditures or 1.5% of the 1992 budget. Increasing the minimum payment level would eliminate small payments and may, therefore, result in administrative efficiencies.

We recommend that the minimum payment levels be reviewed and reevaluated in light of current economic conditions and program objectives.

Comments of Officials

The Department will undertake a review of the program and its objectives in relation to the minimum payments payable under the program.

July 28, 1992

Department of Industry, Trade and Tourism - Vision Capital Fund Limited Partnership

Introduction

The Vision Capital Fund Limited Partnership (the Fund) is funded by public and private investors. The objectives of the Fund are to provide venture capital funding for new and expanding Manitoba businesses assisting them to grow and develop into larger, more viable enterprises and to attract entrepreneurs and business to Manitoba. The Fund was originally established in 1987 as the Small Business Growth Fund (SBGF) with $2.7 million in capital. In 1990 the SBGF was restructured, received additional capital and was renamed.

The Province of Manitoba, through the Manitoba Development Corporation, is a limited partner in the Vision Capital Fund Limited Partnership. Details of the Province's investment in the Fund are set out in Appendix 1. Appendix 2 lists the various entities involved in the Fund.

The primary objective of a venture capital investment is capital gains. Venture capital is often referred to as risk capital because it is not secured by assets and generally lacks liquidity. Venture capital is typically minority equity participation. The investment is expected to be long-term, generally three to five years, and often requires active involvement by the investors, usually through a seat on the Board of Directors of the investee. Literature on venture capital indicates that it is frequently necessary to invest additional capital in the original investment and that only two out of ten investments will generate significant gains. Six out of ten will allow investors to break even and two will result in losses.

Objectives and Scope

We initiated an audit of the Fund because of the significant financial involvement of the Province. In addition, concerns were expressed by certain members of the Legislative Assembly.

The objectives of our audit were to determine the appropriateness of:

- the accountability relaticnship between the Fund and the Government, and
- the management practices of the Board of Advisors with respect to:
    - the awarding of the management contract;
    - determining the remuneration level for the Fund Manager;

- the evaluation of the Fund Manager's performance; and
- conflict of interest.

We did not concern ourselves with the merit of the government's decision to become involved in a venture capital partnership, nor did we evaluate the investment decisions made by the Fund.

Our audit covered the period from the restructuring of the SBGF in 1990 to April 1992.

The examination was performed in accordance with public sector auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Conclusions

Our audit conclusions are summarized below.

- The accountability relationship between the Fund and the Government is not sufficiently developed. We observed that:
  - the Government has not documented objectives for its participation in the Fund; and
  - the Government has not clearly defined the monitoring responsibilities of the Provincial representative on the Board of Advisors, the MDC and the Department of Industry, Trade and Tourism (I.T.& T.).
- The management practices of the Board of Advisors are generally appropriate. We observed that:
  - there was sufficient appropriate justification for awarding the new management contract without benefit of a tender or the performance of a formal executive search and for terminating the former Fund manager;
  - the Board followed an appropriate process to ensure the reasonableness of the Manager's remuneration; and
  - the Board has taken appropriate action to ensure it can perform a meaningful ongoing assessment of the manager's representations and performance.

  In addition, however, we observed that policies and procedures on conflict of interest have not been developed to guide the Board of Advisors. In our view, the environment in which the Fund operates heightens the need for defined policies.

Observations and Recommendations

The following comments outline opportunities for improvement and our recommendations.

1. Objectives of the Government

We observed that the Government has not documented specific objectives for its participation in the Fund. Evaluation of the Fund's performance against these objectives would assist the Minister in determining the Government's satisfaction with the Fund.

The Loan Agreement states that prior to the full initial advance, the Minister can commit the second $15,000,000 if he "is satisfied in his sole and unfettered discretion." We have been advised by the Acting Deputy Minister of I.T.& T. that an independent evaluation of the fund has been commissioned to assist the Minister in this decision. In our view, this study should evaluate the Fund's performance against the Government's specific objectives.

We recommend that the Minister document the specific objectives for the Government's participation in the Fund and that these objectives be addressed in the Fund evaluation.

Comments of the Acting Deputy Minister

I agree with the recommendation that the specific objectives for the Government's participation in the fund be documented and that these objectives be addressed in the Fund evaluation. This has been acted upon.

2. Monitoring Responsibilities

We observed that the monitoring responsibilities of the provincial representative on the Board of Advisors, the MDC and the Department of Industry, Trade and Tourism (I.T.& T.) have not been clearly defined and documented by the Government. Appropriate monitoring should include determining whether:

- the Fund is adopting appropriate accounting policies;
- appropriate management practices are followed by the Fund;
- there is compliance by the Fund to the significant provisions in the loan agreement; and
- the Government's objectives for participating in the Fund are achieved.

Setting and communicating specific monitoring responsibilities will ensure that a duplication or deficiency of overall monitoring effort does not occur.

We recommend that the Minister document the monitoring objectives of the

Government and assign specific responsibilities to the provincial representative on the Board, the restructured MDC and the Department of I.T.& T.

Comments of the Acting Deputy Minister

I agree with the recommendation that the monitoring objectives of the Government be documented and that specific responsibilities of the provincial representative on the Board, the restructured MDC, and the Department of Industry, Trade and Tourism be clarified. Appropriate monitoring should include determining whether:

- the Fund is adopting appropriate accounting policies;
- appropriate management practices are followed by the Fund;
- there is compliance by the Fund to the significant provision in the loan agreement; and
- the Government's objectives for participating in the Fund are achieved.

3. Conflict of Interest Policy

Policies and procedures on conflict of interest have not been developed to guide the Board of Advisors. We note that the Management Agreement adequately defines a conflict situation and specifies reporting requirements as they relate to the Manager.

We have been advised that there is a general expectation that members of the Board of Advisors and the manager would be seeking co-investment, where appropriate, by the limited partners they represent, by the organizations on whose boards they sit and by the members of the Board of Advisors or managers themselves. Further, the Partnership Agreement states that "a limited partner may be engaged in or hold interest in any other business, venture, investment or activity whether or not similar to or competitive with the business of the Partnership." We understand that the Fund operates in a relatively small investment community. In our view, this environment heightens the need for defined policies.

Two conflict of interest situations have been noted in the minutes of the Board of Advisors. The following circumstances relating to these conflict of interest situations further illustrate the need for policies:

- The Board of Advisors did not formally address the reported conflicts. Formally addressing a conflict situation will ensure appropriate actions are taken by both the Board of Advisors and the board member.

- One board member with the conflict participated in the discussion portion of a meeting. We noted that this member refrained from voting. However, by participating in a meeting the board member may inappropriately influence the decision making of the remaining board members.

- One board member did not formally declare his conflict to the Board of Advisors. As a result, the specific conflict and the board member's reason for not attending the meeting were not documented in the minutes. We have been advised, however, that this conflict was common knowledge among the board members.

We would expect a conflict of interest policy to: define conflict of interest situations, require timely reporting to the Board of known interests, require that the Board determine whether a material interest exists, require that members absent themselves from portions of pertinent meetings and refrain from voting in situations involving their conflict.

We recommend that the Board of Advisors develop a conflict of interest policy and procedures for the Board of Advisors and its members.

Comments of the Chairperson of MSBG Advisors Limited

The Chairperson of the Board of Advisors agreed with this recommendation and will undertake to develop a board policy on conflict of interest on a priority basis.

July 28, 1992

APPENDIX 1

The Province's investment in the Vision Capital Fund Limited Partnership is set out as follows:

Partnership Agreement:

- there are twelve Limited Partners in the Vision Capital Fund Limited Partnership (the Fund);
- 271 partnership units were issued at $10,000 per unit;
- the Province, through the Manitoba Development Corporation (MDC), holds 125 partnership units, this equates to 48% ownership of the Fund;
- other Limited Partners include the Civil Service Superannuation Fund (20 units) and the Teachers Retirement Allowances Fund (26 units);
- limited partners with greater than 5% ownership can request a valuation of the Fund's investments; and
- the partnership will dissolve on December 31, 2000.

Loan Agreement:

- between the Province and the Vision Capital Fund Limited Partnership;
- establishes specific investment objectives and criteria;
- maximum possible committed capital by the Province of $30,000,000;
- balances as at December 31, 1991:

- actual committed capital by the Province	$15,000,000
- distributed to the Fund by the Province	$ 8,801,160
- invested by the Fund	$ 3,801,160
- retained by the Fund for working capital	$ 5,000,000

- the advance of the subsequent $15,000,000 must be approved by the Minister of Industry, Trade and Tourism;
- loan matures December 31, 2000 and is due and payable together with accrued and unpaid interest; and

- the Province participates in the distribution of profits upon divestiture of investments.

Debenture Agreement:

- between the Vision Capital Fund Limited Partnership and the Manitoba Development Corporation; and

- all investments of the Fund are considered security against the loan.

APPENDIX 2

The following entities are involved in the Vision Capital Fund Limited Partnership:

Limited Partners:

- Manitoba Development Corporation:
  - holds 125 units out of 271 units (48%); and
  - appointed Agent for the Province by Order in Council, responsible for administering the loan financing to the Fund.
- Other limited Partners:
  - Eleven (11) other Limited Partners hold the remaining 146 units; and
  - Other Limited Partners include the Civil Service Superannuation Fund (20 units) and the Teachers Retirement Allowances Fund (26 units).

Department of Industry, Trade and Tourism:

- records interest cost of funds drawn against the loan agreement; and
- records an allowance for doubtful accounts with respect to the loan agreement.

MSBG Advisors Limited:

- a wholly owned subsidiary of the Fund;
- Board of Directors (Board of Advisors);
- appointed by the Limited Partners. According to a shareholders agreement with the Fund, the voting rights of the Advisors have been given to the limited partners on the basis of one vote per partnership unit;
- each investor can have only one representative on the Board;
- the board is composed of one representative of the Province and five of the other Limited Partners or their representatives;
- the Provincial representative on the board is the Deputy Minister of Government Services, this individual was formerly the Deputy Minister of Industry, Trade and Tourism; and

- the board of Advisors will approve the investments proposed by the manager and will monitor the ongoing performance of the Fund.

MSBG Limited:

- general partner of the Fund; and
- shares are owned by Westgate Capital Management Limited.

Westgate Capital Management Limited:

- a Winnipeg based venture capital company.
  - entered into a management contract with the Fund dated March 23, 1990;
  - responsible for the day-to-day management of the Fund; and
  - maintains an active relationship with investee companies through Director representation.

Department of Justice - Brandon Correctional Institution

Introduction

The Brandon Correctional Institution is one of seven correctional institutions within the Adult Correctional Services Branch of the Department of Justice.

Adult Correctional Services, through its seven correctional institutions, is responsible for the care and custody of adult offenders sentenced to incarceration for two years less a day. They also are responsible for those offenders who are required to remain in custody pending a court decision on charges.

The Brandon Correctional Institution houses adult male inmates, and has a rated capacity of 170. It is a modern facility constructed approximately ten years ago. The Institution provides care and custody for adult offenders in the Western Judicial District. It also serves as a temporary lock-up facility for the Brandon City Police Department.

The Institution is totally funded by the Province of Manitoba. The funding commitment for the March 31, 1991 fiscal year was $3,546,800. The majority of these funds are used to cover the Institution's salary costs, which were budgeted at $2,881,000, representing 83.26 staff years.

Objectives and Scope

We conducted an audit of the Brandon Correctional Institution. Our objectives were:

- to review management practices to determine whether the Institution was properly organized and had adequate systems, policies, procedures and practices in place to ensure accountability for, and protection of, public funds; and

- to determine whether the Institution was complying with its Legislative authorities.

Where certain aspects of management practices are the responsibility of the Adult Correctional Services Branch, our observations and recommendations are directed towards the Branch.

Our audit objectives did not include an evaluation of the Institution's programs. Rather, we reviewed management practices to determine whether management itself was in a position to evaluate its own programs.

We compared the Institution's management practices to those recommended in the Province's Management Practices Guide. Our examination was performed in accordance with public sector auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Findings

The management and staff at the Institution work in a very intense and stressful environment. During our audit, we noted that the staff at the Institution are very dedicated and committed in carrying out their responsibilities.

Overall, we were satisfied that the management and staff of the Brandon Correctional Institution were working to ensure that the Institution's practices, policies and procedures were adequate to provide accountability for, and protection of, public funds. We observed that the Institution was complying with its legislative authorities.

During our audit, we did note that there were opportunities for the Institution to improve its operations. Where applicable, our recommendations for improvement are embodied in the report sections which follow.

1. Planning

Planning is one of the most fundamental and important tasks in management, and is an essential part of each managers responsibilities. Planning provides the framework which guides the activities of the Brandon Correctional Institute. During the planning process, management is required to consider the development of systems, policies, procedures and practices to ensure appropriate accountability, and to preserve and protect public funds.

An appropriate planning process involves strategic planning, mid-term planning, resource allocation and operational planning.

We noted at the time of our audit, that both the Adult Correctional Services Branch and the Brandon Correctional Institution had recently made significant progress in the areas of strategic planning, mid-term planning, and operational planning. We did observe, however, that the formal resource allocation component of the planning process was not being completed by the Branch, or by the Institution. The Institution has not quantified the personnel requirements and associated costs relating to some of its proposed future changes. It is through this resource allocation that planning and budgeting are formally linked. Unless meaningful and detailed resource allocation plans are prepared, appropriate consideration cannot be given to the Institution's resource requirements by the Adult Correctional Services Branch. Without detailed resource allocation plans, program priorities can not be properly established and assessed.

We recommend that the Institution formally document resource allocation plans to improve its planning process.

Comments of Officials

We acknowledge the need for better detailed resource allocation plans so that

program priorities can be properly established and assessed. Although we have established a form of planning, the process is more "top down" than "bottom up". As well, our planning does not utilize a clear and concise format, thus it occasionally creates some unnecessary confusion over what our immediate and long-term goals and objectives are.

To help resolve these difficulties, we intend to adopt a clearer and more concise planning document, which will include improved quantification of requirements and associated costs.

2. Organizing

Organizing is the management process which helps to ensure that staff interact, communicate and participate in the operations and processes which allow an organization to achieve its objectives and perform effectively. In order for an organization to effectively manage any significant aspect of its operations, it must be properly organized and staffed. Effective organizing would encompass an organizational structure that clearly establishes reporting relationships and responsibility areas, standards of documentation, appropriate delegation of authority and responsibilities and appropriate personnel policies and practices.

We found the management and staff to be experienced, dedicated and committed to the best interests of the Institution. The organizational structures appeared to be reasonable, and conducive to effective internal reporting and communication.

We did observe, however, that only the Superintendent, and to a lesser extent the Deputy Superintendent of the Institution, had any significant input into the budget process.

The Institution's other managers have little direct input into the budget process, and they indicated to us that the current budget allocations are not particularly useful. In addition, these managers are not as committed towards staying within budget as might be desirable, although our audit did not reveal any specific examples of overspending.

We recommend that the Institution's management personnel be assigned a much more active and participatory role in the budget processes at the Institution. The managerial involvement should begin early in each budget cycle, prior to the initial request of the Institution for financial funding from the Department of Justice through its estimates process. This detailed involvement would require the Institution's managers to clearly define their priorities, in quantitative terms, so that line-by-line budget detail could be developed for each of the Institution's programs prior to the start of the fiscal year. In this manner the Institution's managers would be much more committed to the budget, and would assume more responsibility for controlling and monitoring the financial resources allocated to their areas. As well, the risk of overspending at the Institution would be reduced.

Comments of Officials

It is acknowledged that the Institution's managers and supervisors could have a more active role in the budget process. However, we also recognize that the process should not be trivialized to the extent that more time and resources are spent on financial accountability than the accountability process is worth.

We intend to adopt the following organizational approach, which is consistent to our response to the earlier recommendation on planning:

- Obtain budget input from line staff, supervisors, and managers;
- Quantify requirements and needs; and
- Delegate specific areas of responsibility and accountability.

3. Reporting

Effective management reporting is fundamental to maintaining managerial accountability. It is the means of providing management with the information needed to make decisions and serves as the link between planning and control. A properly established management reporting system should ensure an appropriate flow of results oriented information on the operational performance of all the significant programs and activities at the Institution. This information should be collected and presented in a manner which is consistent with the plans of the organization. Results oriented information would include a comparison of results with planned outputs and key result indicators. Factors such as quality, timeliness, quantity and relevance must all be carefully considered in setting up a management reporting system which will provide management of the organization with the right information at the right time.

We noted that improvements to the Institution's reporting process should be made in the following areas:

a. Financial Reports

The managers at the Institution do not receive any regular financial reports which relate to their responsibility areas. The current operating budgets do not classify or segregate the amounts set aside for the various program activities on-going at the Institution. Currently, amounts spent on program activities at the Institution are buried within the summary object codes for various activities. The monthly Financial Status Reports do provide details regarding current expenditure status, and projected over or under spending, but not in a format which relates meaningfully to the Institution's programs. Also, the monthly Financial Status Reports are not distributed to the managers directly responsible for the Institution's

programs and activities. As a result, the managers are not properly informed of all facets of their responsibility.

Regular financial reports presenting program expenditure status, and comparing actual and budgeted expenditure for each activity or program area, should be prepared and distributed to the appropriate managers. Each manager could then review these reports and provide appropriate explanations for any significant variances from budgeted performance. The variance analysis reports from the various program activity areas could then be compiled and consolidated to provide senior management with a more meaningful Financial Status report.

We recommend that the Institution's financial budgets and reports be arranged to provide more detailed information concerning major program activities. These reports should be distributed to the managers at the Institution on a regular basis, to enable them to more closely monitor and control their areas of responsibility. Further, we recommend that each manager be required to provide timely explanations for any significant variances from budgeted performance. These variance analysis reports should then be compiled and consolidated to provide senior management with a more meaningful Financial Status Report.

Comments of Officials

With some support and advice from our head office, we can provide managers with various "financial field reports" relevant to their areas of operations, so that the managers can take a much more active and participatory role in the budget process at the Institution. Although the staff at the Institution are very knowledgeable and committed, improved financial reporting would also improve the financial understanding of various managers and coordinators in the budget area, thus improving the allocation of budget resources.

b. Staff Salary Budget

The Institution's budgeting of salary and personnel costs requires some improvements. The following examples indicate areas in which the budgeting of salary costs should be improved:

- The 1991/92 approved salary levels for the Institution, as reflected through the Department of Justice appropriations, are 83.26 Staff Person Years, with a budgeted cost of $2,881,000. However, the "target" used for the Institution, as approved at the Branch level, is actually 94.86 Staff Person Years, with a projected cost of $3,247,400.

- Currently, there is a Magistrate position in Winnipeg for which the salary costs are being charged to the Institution. The Institution receives no direct benefit from this position.

We recommend that a more meaningful salary budget be approved for the Institution, to facilitate more realistic reporting and controlling of the Institution's operations.

Comments of Officials

We acknowledge that although the Institution's salary target is set at 94.86 staff person years, the salary appropriation only reflects a budget of 83.26 staff person years. The salary appropriation should match the target figure.

Adult Corrections has been working to establish meaningful and realistic budget allocations for salaries and operating costs for each Institution, based on the annual staffing analysis report, and post-actual expenditures. The process of assigning bi-weekly expenditure targets was initiated in the 1991/92 fiscal year to better track and analyze expenditures, to provide a method of effective control. It is our intention to change budget appropriations after the 1992/93 fiscal year, to reflect the actual staff target levels.

4. Controlling

Once plans have been developed and communicated, resources organized, and management reporting systems established, the Institution's managers can apply management control techniques to ensure the actual results conform with planned objectives. Effective management control can be achieved only when actual results can be compared to planned results and analyzed for causes of any deviations so that necessary corrective actions may be initiated.

We noted that improvements should be made in the following areas of the control process:

a. Security Over Inmate Property

We have been advised that during the past year there has been a number of cases in which inmate property was missing from the Institution.

We were advised that an internal review of this situation has been completed and that the Brandon City Police have been contacted. Further, the policies and procedures in this area are now being reviewed internally by the Institution's management.

We observed that access to the storage area used for inmates property is restricted. The door to the area is kept locked and only the shift operation managers have access to the key. However, once inside the storage area, access to all of the inmates' property is unrestricted. Alternatives such as double lock access, or individual lock-boxes for inmates should be investigated, as possible means of resolving this security issue.

Until security procedures in this area are improved, the management and staff of the Institution are not able to discharge their responsibilities for providing appropriate security over inmate property. We recommend that the Institution's staff continue with their efforts to improve security procedures in the area of inmate property.

Comments of Officials

A thorough review of the several cases of missing property was conducted, including a police investigation. It should be noted that the problem with lost property was not indicative of the Institution's track record in the area of security over inmate property. Since August, 1991, no further major incidents involving lost property have occurred. The reasons put forward to explain the problems that occurred at that time were:

- new staff assigned to the area;
- inexperienced replacement staff relieving during periods of annual leave for regular staff;
- organizational changes involving the admissions and inmate property areas, which resulted in post reassignments, and new duties;
- labour unrest as a result of some of the post changes;
- congestion in the admissions office, and lack of space available to spread out and sort/identify inmate property; and
- periods of high admission and discharge/release activity which occurred at that time.

Action has been taken to resolve this situation. No further problems have occurred involving loss of inmate property.

b. Trust Funds

During our review of the Trust Funds area, we noted that one staff member is responsible for the preparation of cheques and bank reconciliations. This individual also has cheque signing authority. This concentration of incompatible functions with one individual increases the risk of misappropriation of funds.

Due to the relatively small size of the Institution's administrative staff, we recognize that it is difficult to have an appropriate division of duties. When limited staff numbers make it difficult to segregate incompatible duties, increased reliance should be placed on supervisory reviews and other monitoring procedures to ensure that all cash received is deposited. Accordingly, we recommend that a

Senior Official on the Institution's staff, other than the staff member noted above, receive the monthly bank statements and cheques directly from the bank, and review these items prior to turning them over to the individual responsible for preparing the bank reconciliation.

Comments of Officials

This recommendation was put into effect immediately. The payroll clerk now receives the cancelled cheques, and performs the necessary cross checks.

5. Evaluating

Evaluating involves reviewing past activities relative to the overall missions of an organization. Past activities should be evaluated against specific operational objectives and measured against the effort and resources expended. The evaluating process provides the opportunity to measure operational and program efficiency and effectiveness, highlighting management's accountability for results. The evaluation of current activities should provide management with an opportunity to learn from past management decisions and to apply this knowledge to the planning of future activities.

We noted that improvements should be made in the following areas of the evaluating process:

a. Performance Appraisals

At the time of our review, we noted that performance appraisals for the Institution's staff were not being completed on a regular and timely basis.

Performance appraisals should be completed for all staff, at least on an annual basis, to ensure that the Institution's personnel are aware of standards of performance expected of them. Without annual appraisals, staff will not receive timely feedback relating to job expectations, areas for improvement, or revised objectives.

We recommend that regular appraisals be performed for all of the Institution's staff.

Comments of Officials

A staff performance appraisal system has been implemented, and is being followed. Progress to bring the appraisal process up to date is ongoing.

b. Program Evaluation

The Unit Management concept currently in use at the Institution is a decentralized approach to inmate management. This concept recognizes that both Programs

and Security are essential components in the overall operations of an adult correctional institution.

During our audit we observed the following situations:

- Currently the funding level of the Chaplaincy program at the Institution is below the recommended standards approved by the Adult Correctional Services Branch for this function. Attempts by the Institution to increase Chaplaincy funding from the current level of 25 hours to the standard of 40 hours have not been approved at the Branch level.

- Outside funding for the Native Cultural Program expired in June of 1991. The Cultural Worker has since been retained, but only for four hours a week. This situation has created significant dissatisfaction amongst the Institution's Native population.

- The Literacy Program funding from the John Howard Society expired in January of 1992. As well, Assiniboine Community College has ceased its funding support of this program. We were advised that the Literacy Program is considered to be a valuable training and rehabilitation resource to the inmates. However, this program may not be continued, unless alternative funding sources can be arranged.

Currently, the management information systems do not isolate or report costs in terms of resources on a program basis. Consequently, programs within the Institution cannot be meaningfully priorized, and program evaluations can only be done in very general terms. However, given the limited internal resources available, and the erosions being experienced in outside sources of program funding, the Institution will be faced with increasingly difficult program decisions in the future.

We recommend that, with the assistance of the Adult Correctional Services Branch, the Institution set priorities for its programs and include appropriate resource allocations to enable the Institution to conduct meaningful program evaluations, and provide the desired program activities for its inmates.

Comments of Officials

The Directorate has been made aware of the assistance required for these priority programs (Chaplain, Literacy Instructor, and Native Cultural Worker) and is working to support the Institution in meeting these needs.

It is acknowledged that these programs need to be formally identified in the overall salary/operations budget.

6. Compliance with Legislative Authorities

Based on our review of the Institution's fundamental authorities in relation to its practices, policies and procedures, we did not observe any instances where the Institution was not complying with its authorities. We did note, however, that the responsibility for monitoring compliance with its fundamental authorities has not been specifically assigned to give management assurance that compliance requirements are being met.

We recommend that the Institution assign the responsibility for monitoring compliance with legislative authorities.

Comments of Officials

Due to the relatively small size and nature of the Institution, staff are very familiar with their responsibilities, and the legislative authorities involved. Therefore, we do not feel that is necessary, or an appropriate use of resources, to assign someone specifically to monitor compliance with legislative authorities. All Institution staff are guided by the Department's Mandate and Mission Statement issued in April, 1992. The Statement sets out the specific Legislative Authorities for which compliance is required.

April 7, 1992

Department of Justice - Corrections Division

Introduction

The Corrections Division is comprised of two branches, Adult Correctional Services and Community & Youth Correctional Services. Adult Correctional Services is responsible for the care and custody of adult offenders, through seven correctional institutions. One of the financial management functions of the correctional institutions is the provision of a fines and costs collection facility for the Courts Division of the Department of Justice.

A suspected misappropriation of fines and costs collections occurred at one of the Adult correctional institutions. The Department of Justice, Administration & Finance Division, initiated an audit of that institution under the direction of an independent external auditor. The audit concluded that fines and cost monies for which receipts were issued, were not deposited or otherwise accounted for. Deficiencies in the internal controls over fines and costs cash receipts at that location were identified. Two controls intended to prevent the loss of fine monies which were not in place or operating were:

- accounting for numeric sequence of issued and recorded receipts; and
- preparation and verification of bank deposits by two individuals.

Responsibility for the provision of overall financial management support and monitoring services rests with the Administration & Finance Division of the Department of Justice. Certain elements of these responsibilities have been delegated to the Corrections Division. Although this responsibility may be delegated, overall responsibility for ensuring that necessary monitoring and implementation of appropriate control systems remains with the Administration & Finance Division.

Objectives and Scope

As a result of the above-noted incident, we initiated a project audit to review the adequacy of the financial management process for fines and costs collection at the adult correctional institutions within the Corrections Division. Our audit objective was to evaluate the adequacy of the internal controls intended to prevent and detect errors and omissions in the collection and remittance of fines and costs at the correctional institutions.

Specific control elements which we expected to be in place were:

- Regular financial reporting;
- Appropriate documentation of financial recording and reporting procedures;
- Supervisory reviews of accounting records;
- Appropriate division of duties;
- Accounting for issuance and recording of receipts;
- Preparation and review of bank reconciliations; and
- Periodic independent counts of funds.

Our examination was performed in accordance with public sector auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances. Our findings are based on the systems in place during the period of our project audit.

Findings

Officials in the Corrections Division did not initially notify the Administration & Finance Division of their concerns regarding the suspected misappropriation of fines and costs monies in the correctional institution. This is an example of inadequate interdivisional communication and indicates a lack of understanding of reporting relationships and Divisional responsibilities.

We are concerned that the Department of Justice, Administration & Finance Division, has not appropriately carried out its responsibilities for financial management support and monitoring. Monitoring and control systems in the Adult Correctional Services Branch,

of the Corrections Division, were deficient in that they did not prevent or detect the suspected misappropriation of fines and costs collected. It is the Administration & Finance Division's responsibility to ensure that appropriate systems and controls are in place in the Department. The attached Schedule provides details of the fines and costs receipts by correctional institution and in total for 1990-91. It also summarizes the specific control elements which we expected to be in place and our assessment as to whether the control elements were in place at each correctional institution at the time of our project audit. Improvements are required in those locations where the control element was not in place as indicated by the "NO". Our detailed audit findings are set out in the following sections of this report.

We recommend that senior Departmental officials review the current system within the Corrections Division with the intention of significantly strengthening the internal controls over fines and costs monies.

Comments of Officials

The Department acknowledges that deficiencies do exist in its accounting and control procedures as detailed in the report, and undertakes to accept and act on all of the specific recommendations made in the report.

The Corrections Division was transferred from the former Community Services Department to what is now the Justice Department in September 1988. The accounting systems and procedures in place at that time were as developed and instituted by Community Services. After taking over Corrections, the first priority of Justice's Administration and Finance Branch ("A&F") was necessarily to reorganize and set up procedures for handling the additional central processing workloads that the new Division imposed (voucher accounting, vehicles, expense accounts, travel, budgets, grants, TB submissions, etc.). Once this was completed, A&F started to research existing Corrections practices and procedures and, in conjunction with Corrections' internal accounting staff, embarked on a series of financial policy/procedure reviews. These reviews have proceeded more slowly than we would have liked because of a number of factors including the size of the Corrections Division, the fact that there were no "known" pre-existing problems, the relatively limited resources of A&F, a major reorganization of the A&F function, and significant turnover at the professional level within A&F.

The Internal Audit function was not expanded when Corrections was taken over, and was initially assigned to a major project to audit Young Offender cost sharing claims made to Canada over the preceding 4 years to avoid withdrawal of funding. Correctional institutions audited since 1988 include the Manitoba Youth Centre, Agassiz Youth Centre, and The Pas Adult Correctional Centre. In the Youth Centres, there are no fine revenues taken in, and the observations centred on inventory control and payroll systems.

In The Pas, fine revenues are accounted for by a one-write system, so here too the observations centred on inventory control and payroll procedures. A special audit was done of payroll procedures at the Remand Centre.

Based on the extensive forensic audit conducted into the circumstances surrounding the theft at one of the institutions, the Department has determined that notwithstanding the lack of documented control procedures, the practices followed up to the time of the former Accounting Supervisor's untimely death were adequate to prevent theft of monies. All 1990 receipts and cash records balance and we are satisfied that no funds went missing during 1990. In 1991, the disappearance of some receipt books makes it difficult to account for every transaction, but with one or two exceptions (that may well be due to voided receipts) it appears that all of the unaccounted for receipts and missing cash date from the time at which the employee charged with the theft became acting supervisor. The Department acknowledges that shortcomings in the management oversight of the accounting section allowed the acting supervisor to circumvent the prescribed control practices for a period of 5 months before being discovered and dealt with.

The Director of Administrative and Accounting Services and the Accounting Coordinator of the Corrections Division, with support from Corrections technical staff, have jointly developed a microcomputer based trust accounting system for correctional institutions. This institutional account system provides improved control over both fine/cost revenues and inmate pay/inmate trust monies, and addresses some of the most serious concerns noted in the audit. This system is in place in 5 of the 9 adult and youth institutions, and will be implemented in the remaining 4 as soon as possible.

Regular Financial Reporting

Neither the Department of Justice, Administration & Finance Division nor the Corrections Division have established a regular financial reporting system for fines and costs collections. Each correctional institution prepares and submits a month-end report on balances together with a bank reconciliation to the Accounting Coordinator of the Corrections Division. However, this information is not summarized and reported to senior management to enable effective monitoring.

We recommend that senior management review the reporting requirements to improve the type and quality of information available to management.

Comments of Officials

The institutional account system provides adequate management information. Reports from each institution will be forwarded monthly to the Director of Administrative and Accounting Services for review and analysis.

Appropriate Documentation of Financial Recording and Reporting Procedures

The financial recording and reporting procedures at the correctional institutions for collecting, depositing and remitting fines and costs are not formally documented. Without formal documentation of procedures, there is a risk that expected procedures may not

be followed or are misunderstood by the staff responsible. The documentation of procedures also assists management in the training of new staff.

We recommend that detailed procedures be developed for all aspects of fines and costs cash handling, monitoring, review and reporting and be provided to the staff delegated responsibility for the various functions.

Comments of Officials

A policy paper has been developed and distributed to all institutions, outlining procedures for handling all fines and costs. In the new institutional trust account system, the monies will first be deposited into the system, and then disbursed as appropriate to provide a detailed audit trail.

Supervisory Reviews of Accounting Records

Regular supervisory reviews of the accounting records were performed in only three of the seven correctional institutions. Unless regular reviews of the accounting records are carried out, management cannot be assured that required procedures are being followed, that controls are operating effectively and that records are complete and accurate.

We recommend that regular supervisory review of the accounting records be specifically assigned and performed at all of the correctional institutions. We also recommend that the supervisory review procedures be documented in procedure manuals and be included in detailed job descriptions.

Comments of Officials

There is one other policy paper which must be developed which will detail the operation of the financial accounting system. This paper will address the issue of separation of duties, specific responsibility of various positions, statements reporting financial position, balance sheets, bank reconciliation, and sign-off of monthly reports. This should be done first as an overall policy, and they can be tailored to each institution. As each institution is changed to the new institutional account system, the issues will be addressed and the results tailored in a policy document for that institution.

Appropriate Division of Duties

Responsibility for issuance of receipts, preparation of bank deposits, remittance to courts and preparation of monthly bank reconciliations is assigned, in most of the correctional institutions, to one individual with no supervisory review of the individual's work. This concentration of incompatible functions in one individual increases the risk of misappropriation of funds. Generally, each of these functions should be performed by different individuals. In situations where this is not possible due to limited staff numbers, increased reliance on supervisory reviews is required and other monitoring procedures to adequately ensure that all cash received is deposited.

We recommend that management review the division of duties in the correctional institutions to eliminate incompatible functions as much as possible.

Comments of Officials

As each institution is changed to the new institutional account system, the issues will be addressed and the results tailored in a document for that institution.

Accounting for Issuance and Recording of Receipts

Our audit determined that the pre-numbered receipts were appropriately monitored and accounted for at six of the seven correctional institutions, the exception was the Provincial Remand Centre.

We recommend that procedures to account for the issuance and recording of receipts be implemented immediately at the Provincial Remand Centre.

Comments of Officials

Procedures for controlling receipts and cash at the Provincial Remand Centre have been strengthened since the incident, and management is paying close attention to this area pending implementation of the institutional account system.

Preparation and Review of Bank Reconciliations

As indicated, each correctional institution prepares and submits monthly bank reconciliations together with month-end reports to the Accounting Coordinator at the Corrections Division. However, there is no evidence of review and approval by the correctional institution management on the copies of the bank reconciliations and reports received by the Accounting Coordinator.

We recommend that correctional institution management document their review by formally approving the monthly bank reconciliations and reports submitted to the Corrections Division.

Comments of Officials

This recommendation will be incorporated into the above noted policies for the operation of the financial accounting system.

Periodic Independent Counts of Funds

Periodic independent cash counts of funds were being performed by supervisory staff at only two of the seven correctional institutions. Independent counts of funds provide management with assurance that delegated responsibilities for cash handling are being properly performed.

The Accounting Coordinator's job description includes the responsibility to conduct periodic audits at the institutions. We are aware that until a couple of years ago, periodic cash counts were performed by the Accounting Coordinator of the Corrections Division. We are concerned that delegated responsibilities included in the job description are not performed. No other position has been assigned responsibility to carry out this control function.

The departmental internal auditor has not performed regular counts at the correctional institutions.

We recommend that senior management ensure that independent periodic cash counts are conducted on a regular basis at all of the correctional institutions.

Comments of Officials

Superintendents will be required to have internal cash counts done monthly. In addition, the internal audit function will be charged with the responsibility of carrying out random cash counts at all correctional institutions as part of the audit program.

March 24, 1992

Department of Justice
Corrections Division

SCHEDULE

NEW MATTERS

ADULT CORRECTIONAL SERVICES

ACTUAL 1990/91 FINES & COSTS RECEIPTS

CONTROL ELEMENT	REMAND CENTRE $375,945	HEADINGLEY $73,612	BRANDON $31,099	DAUPHIN $7,277	PORTAGE $10,522	THE PAS $6,102	MILNER RIDGE $895	TOTAL $505,452
1. Regular financial reporting	NO	NO	NO	NO	NO	NO	NO	
2. Appropriate documentation of financial recording and reporting procedures	NO	NO	NO	NO	NO	NO	NO	
3. Supervisory reviews of accounting records	NO	YES	NO	NO	NO	YES	YES	
4. Appropriate division of duties	NO	YES	NO	NO	NO	NO	NO	
5. Accounting for issuance and recording of receipts	NO	YES	YES	YES	YES	YES	YES	
6. Preparation of bank reconciliations Review of bank reconciliations	YES YES	YES YES	YES NO	YES NO	YES NO	YES YES	YES NO	
7. Periodic independent count of funds	NO	YES	NO	NO	NO	YES	NO	

Department of Natural Resources - Monitoring of Accounts Receivable

Introduction

The objective of the Department's Financial Services Branch is to develop, communicate, monitor and evaluate departmental financial policies, systems, processes and procedures to ensure the effective, efficient and economical operation of departmental financial functions. The Department has recorded revenue of $53,918,327 for the year ended March 31, 1992. Parks and Natural Areas Branch and Financial Services Branch - Licencing Section generate 18.5% of the Department's revenue through various fees, licences, permits, leases and other charges. Many revenues are collected at the point of sale and do not create accounts receivable. Where accounts receivable are created, the Branch delivering the specific program is responsible for recording, reporting, and collecting the accounts. The Department had accounts receivable totalling $1,988,300 as at March 31, 1992.

Objectives and Scope

We conducted an audit to:

- evaluate internal controls over recording, reporting and collection of accounts receivable at Parks and Natural Areas Branch and within the Licencing Section of Financial Services Branch; and

- evaluate the Financial Services Branch's central control over accounts receivable including review of policies, reporting systems and monitoring activities.

The General Manual of Administration sets out policy respecting revenues, receivables and receipts while the Financial Administration Manual outlines responsibilities and establishes minimum internal control requirements for receipts and receivable transactions.

Our audit was conducted in accordance with public sector auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances. The audit was carried out during the period from April to May 1992.

Conclusion

We concluded that:

- internal controls over accounts receivable at Parks and Natural Areas Branch require improvement. We noted a need for controls to ensure all fees and charges

have been billed and for controls over other adjustments to the Crown Lands Registry System. The Branch also needs to resolve an inequity regarding the assessment and collection of service fees charged private landowners within parklands;

- Financial Services Branch - Licencing Section has adequate internal controls over accounts receivable in all significant respects, however security over access to the vendor accounting system should be strengthened; and

- central controls over accounts receivable require strengthening. We noted opportunities for the Financial Services Branch to develop interest and collections policies and improve documentation of existing systems and procedures.

Detailed observations and recommendations are set out below.

Observations and Recommendations

1. Parks and Natural Areas Branch

Parks and Natural Areas Branch (Parks Branch) is responsible for establishing, developing and maintaining a system of provincial park lands dedicated to the people of Manitoba and visitors to the Province. Parks Branch is also responsible for ensuring that the Province obtains a fair return for the use of park resources and that user fees are established which cover a reasonable portion of Park operating costs. Parks Branch generated user fee revenues of $5,425,513 in 1991/92. The primary sources of revenue were vacation home lot rentals and service fees - 41%, camping fees - 31%, and park entrance fees - 13%. Other revenue sources include commercial lot rentals, vacation home rentals. Camping and park entrance fees are collected at the point of sale, however lot rental fees, service fees and other miscellaneous charges are invoiced thereby creating accounts receivable. Parks Branch records show outstanding receivables of $425,584 as at March 31, 1992.

We noted areas where Parks Branch's internal controls should be strengthened.

a) Completeness of Billings

Parks Branch officials expressed concern over the completeness of billings produced from the Crown Lands Registry System. Parks Branch has not developed alternate procedures to satisfy itself that all fees and service charges have been billed. If billings are missed, the Province will not be receiving revenues to which it is entitled. For each revenue category, Parks Branch should reconcile the number of billings issued by the system to the population. For instance, the number of billings issued by the system for cottage lots should equal Park's record of the number of cottage lots. This would provide assurance as to the completeness of billings.

We recommend that Parks Branch reconcile the actual number of billings produced by the Crown Lands Registry System to its own records.

Comments of Officials

Starting with the 1993/94 billing season, the Leases and Permits Section of Parks & Natural Areas will commence the preparation of a reconciliation of population to actual billings produced. Branch records are plot plans which are not current due to a lack of resources. In order to reconcile a subdivision, a physical site inspection must be made to confirm or update the existing plot plan. The billings will then be tested against this information. A complete reconciliation will be completed two years hence. In the interim, reconciliations will be prepared on a subdivision basis as physical site inspections are completed.

b) Authorization and Independent Verification

We noted that Parks Branch has inadequate internal control over receivable accounts on the Crown Lands Registry System. Accounts can be created, deleted or designated HOLD by Parks Branch staff without prior authorization or independent verification. When accounts are designated HOLD on the Crown Lands Registry System, billings are suppressed. Adjustments to receivable accounts must be approved in advance but no independent person checks to ensure that only authorized adjustments have been made. Unauthorized or inappropriate changes could be made to the balances or status of accounts receivable. We were also advised by staff, that if adjustments were dated a prior month, these adjustments would not appear on the audit report and therefore would be not be evident.

We recommend that Parks Branch improve internal control over changes to receivable accounts by implementing prior authorization and independent verification procedures.

Comments of Officials

Adjustments, which are account payments, are not pre-authorized, but are verified by another staff person of Parks & Natural Areas. All other adjustments must now receive the authority by the Program Manager, but are currently verified by the Administrative Officer. Starting immediately, the creation, deletion or putting an account on hold must be pre-approved by the Program Manager and will be verified at month end by the Administrative Section of the branch. Difficulties with accurate updates on the Crown Lands Registry system will be brought to the attention of the Lands Branch.

c) Aging of Accounts Receivable

Reports generated from the Crown Lands Registry System do not accurately age accounts receivable. We noted that at the commencement of every new billing period, accounts which have been outstanding for one year or more are classified as current. Parks Branch does not correct the report prior to its submission to the Department's Financial Services Branch. This Branch is not aware of the true status of these accounts receivable, thereby hindering monitoring and evaluation of collection activities.

We recommend that Parks Branch accurately age accounts receivable reports prior to submitting them to the Financial Services Branch.

Comments of Officials

The matter of aged analysis of billings produced by the Crown Land Registry System will be brought to the attention of the Lands Branch. It is expected an aged analysis will be produced by the Crown Land Registry System effective January 1, 1993.

d) Collection of Amounts Due

i) Service Fees for Private Lands

Privately owned lands exist within certain Manitoba parklands. The landowners do not pay municipal taxes. Rather they are assessed an annual service fee by Parks Branch as authorized in a regulation under the Parklands Act. We were advised that approximately 50% of the landowners do not pay the assessed fee. Parks Branch does not enforce collection of these service fees. The Branch has been verbally advised by legal counsel that it does not have the authority to collect taxes - which is what these service fees are legally considered. Amendments to the Act are being contemplated. However, collection of the receivables currently outstanding is doubtful. As at March 31, 1992, Branch accounts receivable records show unpaid service fees of $244,109, including interest, for private lands. This also approximates the amount paid by landowners. The current situation is not fair and equitable. Officials have advised that it is possible that the Branch will be required to refund service fees already received from landowners.

We recommend that Parks Branch resolve this matter in a timely manner, so that private land owners are treated fairly and equitably.

Comments of Officials

This matter requires an amendment to The Provincial Park Lands Act. It is

intended to address this issue in the upcoming rewrite of the act.

ii) Collection Action

Vacation home permit holders, whose accounts have been outstanding for 180 days, receive a notice advising impending eviction from the property. The notification states that a recommendation is being made to the Minister to cancel forthwith the person's right to occupy the land and that he/she be asked to remove possessions. The Department is authorized to take such action under the Provincial Parklands Act. Despite the notice, the Branch has not taken enforcement action if payment is not subsequently received.

We recommend that Parks Branch take appropriate action to collect outstanding accounts.

Comments of Officials

The notice relating to impending eviction has been removed from collection letter #3 as the department is not currently prepared to cancel rights to occupy provincial park lands. New policy aimed at actioning overdue accounts will be developed as a component of the new Provincial Park Lands Act. It is anticipated that the new act will be before the legislature in the spring of 1993.

2. Financial Services Branch - Licencing Section

The Licencing Section of the Financial Services Branch is responsible for the distribution of hunting, fishing and wildlife licences for sale to the general public through a network of licence vendors. It is also responsible for recovering funds generated through the sale of these licences and protecting the government from loss of these funds due to bad debts. During 1991/92 Licencing collected revenues totalling $4,262,428. Licencing had accounts receivable of $106,940 as at March 31, 1992.

Licencing Section has an adequate system for controlling vendor accounts in all significant respects. Close management control was noted. In 1991, a new policy regarding the appointment of licence vendors was developed and implemented to address a rise in bad debts. Although controls are adequate, we noted opportunities to improve control over accounts receivable in the Licencing Section, as follows:

Access to Vendor Accounting System

Licencing Section uses a personal computer based vendor accounting system to control licence sales. The system issues invoices, maintains vendor files, and produces accounts receivable reports. We noted that there is no control over

access to the system. Anyone being familiar with the system could access the files and make adjustments. Consequently there is a risk that unauthorized or inappropriate adjustments could be made to vendor accounts.

We recommend that Licencing Section implement password access controls to the vendor accounting system.

Comments of Officials

The Department will implement password access controls to the vendor accounting system.

3. Financial Services Branch - Central Controls

We noted opportunities for the Branch to strengthen central control over accounts receivable.

a) Policy Development/Documentation

During our audit we noted neither Parks nor Financial Services Branch - Licencing Section has adequately documented procedures and systems. Financial Services Branch should provide the other Branches with direction in developing and documenting procedures and systems. Without adequate documentation, Financial Services Branch will have difficulty monitoring and evaluating existing systems. Documented procedures and systems also provide guidance to staff and are particularly important in training new staff.

We recommend that Financial Services Branch ensure that the Department's accounts receivable procedures and systems are adequately documented.

Comments of Officials

The Department agrees with the observation and recommendation regarding the upgrading of system documentation and procedures. The Department will document the Department's accounts receivable procedures and systems as staff resources are available for this purpose.

b) Reporting

We noted that reports received by the Financial Services Branch from other Branches of the Department are not complete, accurate or timely. We noted that collection logs and accounts receivable trial balances do not include all accounts receivable. Accounts receivable are not aged properly. While monthly reporting is required, Parks Branch only submits its collection log annually and Lands Branch has not reported in excess of one year. We are concerned that central control is weakened by inadequate reporting. Financial Services Branch may not

be fully aware of the extent of accounts receivable and is not able to effectively monitor collection actions being taken by the reporting Branches.

We recommend that Financial Services Branch take action to ensure that accounts receivable reports are complete, accurate and timely.

Comments of Officials

The Department agrees with the observation and recommendation regarding the need to ensure that Branches are providing complete, accurate and timely accounts receivable reports. The Department will ensure that action is taken to resolve this issue.

c) Monitoring

We noted Financial Services Branch is not monitoring the collection logs it receives. Collection logs identify the debtor, amount due, age of account, and collection action taken to date. Branches are expected to submit collection logs monthly. Financial Services Branch should monitor these reports to ensure that Branches have taken appropriate collection action. Without effective monitoring, inadequate collection efforts may not be detected.

We recommend that Financial Services Branch monitor collection logs to ensure that effective collection action is occurring.

Comments of Officials

The Financial Services Branch does not monitor the collection logs received from Branches. A decision was made two years ago, as the result of the loss of the Revenue Accountant position, to no longer undertake this function. The loss of the position resulted in the functions of the position being distributed to other staff. Some responsibilities were deemed to be of lesser priority and of acceptable risk. These functions are no longer carried out. The responsibility for the proper preparation of accounts receivable reports lies with Branch management and as such is considered a lesser priority for Financial Services Branch.

November 18, 1992

Manitoba Health Services Commission - Internal Control Systems

Introduction

The Manitoba Health Services Commission administers the Manitoba Health Services Insurance Plan according to the provisions of The Health Services Insurance Act and other relevant legislation. The Plan finances an integrated system of hospital care, medical treatment, personal care, prescription drugs and other health services for Manitoba residents.

Objectives and Scope

We conducted our audit to evaluate the adequacy of management's internal control systems for:

- Issuance of Medical Registration Certificates
- Medical Claim Payments and Pharmacare Claim Payments
- General Facility Payments
- Facility Payments Related to Capital Construction

We conducted our audit in accordance with public sector auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Issuance of Medical Registration Certificates

The Insurance Division is responsible for the registration and enrolment of all residents of Manitoba in the Manitoba Health Plan. Individuals may apply for enrolment in the Plan through the Commission, Municipal Offices, or their employer. Staff of the Insurance Division review the application and approve the issuance of a Medical Registration Certificate. The registration system records Medical Registration Certificates issued by the Commission. These certificates provide hospitals and the medical profession with the authority to charge the Commission for medical services provided to registered patients. We reviewed the policies and procedures for the issuance of Medical Registration Certificates to determine if controls were adequate to ensure:

- the orderly and efficient processing of applications for Medical Registration Certificates;
- applications are properly documented, reviewed and processed; and
- Medical Registration Certificates are issued only to those persons eligible under the regulations of The Health Services Insurance Act.

Conclusion and Recommendation

As a result of our audit, we concluded that the internal controls over the issuance of Medical Registration Certificates, in all significant respects, are adequate. However, we noted that the documentation of policies and procedures could be improved to ensure that policies and procedures are current, clearly understood and consistently applied.

We observed that the policy and procedure manual for the processing of applications and the issuance of Medical Registration Certificates is not fully comprehensive and is not current. Formalized policies and procedures provide consistent direction and assist in the training of all staff involved in the processing of applications. The absence of clearly documented policies and procedures may lead to errors or omissions. Appropriate and consistent guidance is important for the orderly and efficient processing of applications.

We recommend the Commission develop an appropriate policy and procedure manual. This manual should be maintained on a current basis for all staff who deal with registration applications.

Comments of Officials

Commission officials agree with our recommendation and are beginning to develop a new policy and procedures manual.

Medical Claim Payments and Pharmacare Claim Payments

During 1991/92, the Commission processed over 8,400,000 medical claims totalling $254.3 million and over 239,000 pharmacare claims totalling $57.3 million. We reviewed the medical claim and the pharmacare claim payments systems to determine if controls were adequate to ensure:

- compliance with applicable acts and regulations;
- payments are only made for properly supported claims;
- all claims received are processed;
- payments are authorized;
- payments are made for services provided; and
- the accuracy of claim records and the timely preparation of appropriate claim reports.

Conclusion

As a result of our audit, we concluded that management's internal control systems, in all significant respects, are adequate for processing medical claim payments and pharmacare claim payments.

General Facility Payments

During 1991/92 the Commission provided funding of $962.0 to Manitoba hospitals, community health centres and related facilities. We reviewed the general facility payment system to determine if controls were adequate to ensure:

- compliance with The Health Insurance Act and Regulations;
- payments comply with approved funding;
- payments are authorized; and
- the accuracy and timely preparation of general facility payment reports for management.

Conclusion

As a result of our audit, we concluded that management's internal control system, in all significant respects, is adequate for processing general facility payments.

Facility Payments Related to Capital Construction

We reviewed the facility payment system related to capital construction to determine if controls were adequate to ensure:

- compliance with The Health Insurance Act and Regulations;
- new facility designs of new facilities are reviewed and approved by construction division;
- financing for construction projects is properly approved;
- payments comply with funding agreements; and
- the accuracy and timely preparation of facility payment reports related to capital construction.

Conclusion

As a result of our audit, we concluded that management's internal control system, in all significant respects, is adequate for processing facility payments related to capital construction.

November 10, 1992

Manitoba Lotteries Foundation - Video Lottery Program

Introduction

The Manitoba Lotteries Foundation is a Crown agency of the Province of Manitoba. Its mandate is to manage, operate and license gaming activities within Manitoba. Its aim is to maximize long-term economic gaming returns to the Province while maintaining a high level of business integrity and social responsibility. On July 31, 1991 the Minister responsible for Lotteries announced that the Foundation would introduce Video Lottery Terminals (VLTs) to age-controlled, Manitoba Liquor Control Commission licensed hotels and lounges in rural Manitoba. The VLT program began operations in November 1991. The net income generated from VLTs is targeted to fund economic development in rural Manitoba. The Foundation manages the VLTs through the Video Lotto Division which will move from Winnipeg to Morris in 1992.

Objectives and Scope

Our audit was conducted to assess whether appropriate practices and procedures were followed in the acquisition of the VLTs, the related central computer system, and land and office premises in Morris. Our audit objectives were designed to determine if:

- an appropriate cost/benefit analysis was completed before a decision was made to introduce the VLT program;

- the central computer system acquisition was initiated after due consideration of alternatives, including sharing of the Western Canada Lottery Corporation computer system;

- the acquisition of VLTs, central computer system and land as well as the construction of a building in Morris was initiated with due regard for economy;

- the acquired VLTs and central computer system meet program requirements and Foundation specifications;

- the implementation of the VLT program was monitored using an approved plan; and

- the Foundation complied with legislative authorities in acquiring the VLTs, central computer system, and land and office premises in Morris.

We did not concern ourselves with the merit of the decision to introduce a VLT program to Manitoba but we did review:

- the Foundation's evaluation regarding economic impacts of the VLTs on private sector business; and

- the rationale for locating the Video Lotto Division in Morris and for leasing an existing building for office premises in Morris.

Our audit was conducted in accordance with public sector auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Conclusion

We are satisfied that the Foundation followed appropriate practices and procedures in acquiring fixed assets pertaining to the VLT program. The Foundation introduced the VLT program based on its reasonably assured profitability and demonstrated appropriate consideration for alternative computer systems options, including the Western Canada Lottery Corporation computer system. Acquisitions were made with due regard for economy and are appropriate to meet program requirements and Foundation specifications. The Foundation monitored the implementation of the VLT program based on an appropriate approved plan and complied with relevant authorities. We have provided the following information regarding the economic impacts of the VLT program on the private business sector and the rationale for locating the Video Lotto Division in Morris as well as for leasing an existing building for office premises.

Economic Impacts on Private Sector Business

The Foundation evaluated the economic impact on private sector business. Legal counsel advised the Foundation that the Province does not have authority to pass legislation to allow the private sector to operate VLTs. The VLT program was introduced as a rural initiative to promote business in the commercial hotel industry outside the city of Winnipeg. Based on the experiences of jurisdictions having VLT programs, the Foundation determined that the introduction of VLTs would provide the rural hotels and lounges with a new source of revenue and result in an increase in the business from existing sources.

Rationale for Locating the Video Lotto Division in Morris and for Leasing an Existing Building for Office Premises

The decision to locate the Video Lotto Division in Morris was a Cabinet decision. The Foundation indicated that the Government resolved to locate the Video Lotto Division in Morris in accordance with the rural business initiative. The Foundation reviewed the property available in Morris and determined that only one potentially suitable building was available. The Foundation did not consult with commercial real estate agencies to identify other potentially suitable property in Morris. The Foundation signed a letter of intent to enter into a long-term lease for the land and building. The Foundation had possession

of the land and building for three months in 1991 and paid rent of $6,875. The premises were unoccupied during the period, pending completion of an architectural and engineering study. Architectural and engineering consultants reported that it was not economical to renovate the building to suit the needs of the Foundation. In accordance with the terms of the letter of intent, the Foundation terminated negotiations for a long-term lease.

The Town of Morris subsequently offered suitable land at a cost of $100 plus legal fees. The Foundation acquired the land and leases it to the Province, which is constructing an office building suitable for the Video Lotto Division. The facility will be owned by the Province and leased back to the Foundation. The building construction contract was tendered and awarded to the lowest bidder.

Comments of Officials

Officials of the Foundation concur with our findings and conclusion.

March 10, 1992

Public Trustee's Office - Staffing of the Client Administration Section (Mental Health)

Introduction

The Public Trustee acts on behalf of persons affected by various disabilities, mental disorders, age and death. The Public Trustee is considered to be an appointment of last resort and therefore provides a public service generally where there is no other competent or acceptable person available to provide the required service.

The Public Trustee's Office is a program under the Department of Justice. Treasury Board has directed that the total cost of operation of the Public Trustee's Office be fully recovered as revenue. The Public Trustee's Office does so through the charging of adminstration fees for services provided.

The Public Trustee's Office is divided into five main sections. These being:

- Client Administration (Mental Health)
- Estates Administration (Deceased and Infant Trusts)
- Financial Administration
- Legal Services
- Inspection

The management and staff of the Public Trustee's Office are working in a very difficult environment. They are often required to deal with extremely sensitive and emotional client situations and to work in harmony with social services personnel. During our audit work, we noted that management and staff of the Public Trustee's Office are dedicated in carrying our their responsibilities.

Objectives and Scope

We initiated an audit in consultation with the current Public Trustee. We selected staffing within the Client Administration Section for our audit.

For the past few years our Office has been reporting on weaknesses in the management practices within the Public Trustee's Office. Officials of the Public Trustee's Office have indicated that staffing resources are inadequate to act on certain of these weaknesses.

In 1987, an "Operational Review" of the Public Trustee's Office was conducted by the Research, Planning and Evaluation Branch of the Attorney-General's Department at the request of Treasury Board. The operational review recommended an increase in staffing levels. Certain of these positions were approved. However, an analysis of comparative information summarized for 1987 and 1991 in Appendix 1 indicates that the number of cases carried by each staff member (Client Administration Officers and Client Adminstration Support Staff) has decreased by only 2 accounts per person over that time period. Client Administration Officers carry an average caseload of 439 accounts in 1991. Based on an average of 1,485 hours per officer available in a year, this equates to approximately 17 minutes per month or less than 3 1/2 hours per year per account per Officer, or 30 minutes per month (approximately 6 hours per year) per account when resources available from Client Administration Support Staff are considered. This supported officials' concerns with the high case load for each Officer.

The objectives of our audit were:

- to determine if the Client Administration Section was appropriately organized and staffed to meet its mandate; and

- to make recommendations for improvement to other aspects of management practices within the Public Trustee's Office identified through work undertaking in meeting the above objective.

Our audit was conducted in accordance with public sector auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Observations and Recommendations

In our audit we attempted to obtain and review information regarding the Office's strategic plan, account complexity classification process and staff performance evaluation process. This information was not available. Without such information in place, it is not possible to form a conclusive opinion on whether the Client Administration Section was appropriately organized and staffed to meet its mandate. The Public Trustee acknowledges they were aware of the need for this information prior to our audit and had been taking action on a number of these items.

During the course of our audit, the Public Trustee hired an individual from outside the organization for the position of Manager, Client Administration to fill a vacancy due to retirement. The Public Trustee and this individual, together with other staff members have initiated a number of improvements already. As an example, minimal progress had been made on the development of a procedures manual over the past few years. Renewed emphasis resulted in the recent release of a procedures manual. Although two sections of the manual are still to be written, the Public Trustee plans to have these sections written by June 1992. The following comments outline our observations and recommendations at the time of our audit and should be considered in the context of the ongoing improvements being made.

Although our audit was limited to the Client Administration Section, many of our recommendations for improvement would also benefit other sections of the Public Trustee's Office.

1. Organization and Staffing of the Client Administration Section

Organizing involves arranging staff and resources into distinct, efficient operating units. Organizing includes the development of clearly established responsibilities, reporting relationships, and standards of documentation. It should ensure that staff interact, communicate and participate in the programs and processes which allow an organization to achieve its objectives and perform effectively. In order for the Public Trustee's Office to manage its operations efficiently and effectively, it must be properly organized and staffed. Effective organization within the Office would also help to ensure that it maximizes its contribution to the attainment of the overall objectives and key results for the Department of Justice. We noted the following areas in which improvements could be made in the Office's organizing function:

a. Position Descriptions

Excluding the Manager position, there are three remaining levels in the Estates Officer classification category. A review of the Position Descriptions in the Public Trustee's Office identified that they were almost identical. Discussions with staff reinforced the similarity of responsibilities.

Without appropriate differences in classification and related staffing duties, it is difficult to distribute the workload among staff and can be the basis of dissatisfaction amongst staff members.

During the course of our audit we recommended that the Position Descriptions for each of the four classifications be reviewed and updated to include an appropriate incrementation of duties and responsibilities between the categories. The Public Trustee's Office has recently drafted revised descriptions.

b. Account Complexity Classification Process

Interviews with staff of the Public Trustee's Office have identified that the accounts have increased in complexity and consequently the time which has to spent on the accounts have increased since 1987. Officers are seeing a greater diversification of assets coming under administration. Accounts frequently include registered retirement savings plans, company pension plans, other retirement vehicles, capital property including real property, investments and various other assets. In recent years, increased attention or direction has been placed on community-based health care by the health-care professionals. The increased emphasis toward more independent, community-based living by clients has changed the nature of the client relationship in that greater coordination with the social services personnel is required and administration of client expenses such as rent and utilities is more time consuming without a personal care home administering this area.

No formal assessment has been made of how accounts are classified. Although the nature of the client and complexity of the account is informally considered when the client comes under the responsibility of the Public Trustee's Office, a standard assessment of complexity is not done. A formalized assessment process would assist in the assignment of clients to the various Client Administration Officers and assist in equality of distribution of accounts. Factors to consider in the complexity would include complexity of assets, degree of involvement required by officer and client location.

The informal assessment of clients can result in inequitable distribution of clients to staff members and could result in morale problems if actual or perceived inequities were for a prolonged period. Inequitable workload distributions could also result in inappropriate service to clients. In a recently obtained analysis of officers by location we did note inequalities in client numbers between officers. The analysis also identified that the majority of clients at the Manitoba Development Centre were assigned to three officers rather than being assigned to one individual to better coordinate field work and contacts with Centre officials. A formal assessment provides an opportunity to apply a more objective rating method to the assignment of clients to the officers. It also provides an opportunity to make distributions to those officers with expertise in particular areas.

Since our audit was undertaken, the Public Trustee has developed an account complexity classification system which rates an account from a relatively straightforward account to a highly complex and labour intensive account. Officers have recently categorized all of their accounts using this system and have produced some raw data total figures for each of the officers. Through this exercise, inconsistencies have been identified and steps are being taken to redistribute client accounts to equalize the workload among the officers. This is excellent progress. The process being used is appropriate and we would expect regular updates of this information to provide the Public Trustee with information necessary to complete the review of staffing levels within the Client Administration Section.

c. Support to Client Administration Officers

In addition to the high number of cases per Officer and the increased complexity of the accounts, the ratio of support staff to officers is less favourable in 1991 than it was in 1987. Although one additional support person has been obtained since 1987 to increase the total to seven, the percentage increase in support personnel has not kept up with that of the officers. As a result it is necessary for officers to share support staff. The sharing of staff can be disruptive to all parties involved. From the support person's perspective the sharing results in a reporting relationship to more than one person who have conflicting priorities. For the officers, the support person may not be available when required and the Officers' already heavy workload increases.

Various alternatives are available to the Public Trustee's Office to take these difficulties into account. A rationale should be developed which details the role to be played by support staff and an organizational structure should be established which eliminates staff sharing to the extent possible.

d. Entry Level/Training Positions

Our audit also identified that there are no persons in junior or training positions which would allow for the development of individuals and succession when staff leave or are away on vacation. Recent revisions to the Position Descriptions now provide for an entry level or training position in the Client Administration Officer I (ES1) position. However, no staff are classified at this level. The majority of officers are at the most senior non-management level. Support for the officers comes from the administrative staff.

A review of the organization structure is required, to determine whether support is best obtained from the Officer I position, or whether duties could be realigned to allow administrative staff to perform this function. Such trained staff would be able to assist officers on an assigned basis depending on workload or other factors, cover for vacations or other periods or absence and also to receive training for more senior officer positions when vacancies occur. The junior staff would be

responsible for work at a junior level and would become familiar with a variety of accounts and clients.

We recommend that the Public Trustee's Office continue to address these issues with the objective of establishing an appropriate organizational structure which provides for equitable and reasonable workloads amongst staff members. It is not possible to accomplish this without first addressing certain planning issues which will clarify the organization's mandate as well as the scope of responsibility and service delivery standards expected of the staff members. Our recommendations in these areas, follow.

Comments of Officials

a. Position Descriptions

Position descriptions have been revised and now appropriately reflect the difference between positions. There will now be a distinction between the ES3 (full, complex caseload management) and the ES1-ES2 (full caseload, less complex, reporting to an ES3).

b. Account Complexity Classification Process

An account classification system based upon complexity has been developed and implemented. The files are being redistributed amongst the Officers accordingly and single Officers are now responsible for the large institutions and personal care homes.

One other factor is indicative of account complexity overall, and that is the value of assets under administration. There has been a 55% increase in assets administered since 1987 ($57,815,000 to $89,262,000) but a 22% increase in files, (3,244 to 3,956).

c. Support to Client Administration Officers

There should be a one on one relationship between the support staff and the Officers. Based on this relationship we have developed a proposed organization structure which eliminates staff sharing.

A workload analysis based upon the proposed organization, showing the breakdown of client files by location and complexity as well as the time available for each file has also been developed.

d. Entry Level/Training Positions

The proposed organization structure shows the addition of two ES1 positions who would report to an ES3. In this situation, the ES1 would have a less complex

caseload and would provide assistance to the ES3 with some of the account management functions.

For the remainder of the ES3s, administrative support will be provided by the AY3s who will have more time available for these duties and who will be completely familiar with the caseload of the Officer with whom he/she works.

2. Recommendations for Improvement to other areas within the Public Trustee's Office

Our recommendations for improvements related to other areas within the Public Trustee's Office identified in conjunction with the audit work we completed to address the above area have been summarized under the headings of Planning, Reporting, Controlling and Evaluating. Together with Organizing, these categories comprise the main topics addressed in the Province's Management Practices Guide.

a. Planning

Planning is one of the most fundamental and important tasks in management, and is an essential part of each managers responsibilities. It should provide the framework which guides the activities of the Public Trustee's Office. During the planning process, management is required to consider the development of systems, policies, procedures and practices to ensure appropriate accountability, and to preserve and protect public funds.

An appropriate planning process involves strategic planning, mid-term planning, resource allocation and operational planning. The following is a brief summary of these aspects of the planning process:

Strategic Planning

This would require senior management of the Public Trustee's Office to give significant consideration to the future and help determine the Office's overall purpose and rationale. An appropriate strategic plan should include the:

- development of a role and mission statement;
- preparation of a comprehensive needs assessment based on an understanding of the external environment, the broad government direction, and the Office's own internal environment;
- establishment and communication of goals and objectives; and
- determination of key results indicators that will lead to the achievement of the Office's objectives.

Mid-Term Planning

This is a refinement of the strategic plan. It is designed to assess program options and to establish program priorities to guide the allocation of resources and the subsequent preparation of operational plans. The Office's mid-term plan should form the basis for the later preparation of its operational plan.

Resource Allocation

This is the plan that would determine the resources needed to carry out the program priorities established by the Office. It is at this point that planning and budgeting are formally linked.

Operational Planning

This plan would convert the Office's strategy, mid-term plans, and resourcing decisions into detailed short-term, results-oriented plans. An operational plan serves to transform the more long-term strategic visions into specific steps which could be used to guide the day-to-day activities of the Office.

We observed that at the time of our audit, the Public Trustee's Office did not have a formalized planning process in place. A strategic plan has not been developed and communicated to staff. As the Public Trustee's Office is under the overall guidance of the Department of Justice it is imperative that in the development of the Office's strategic plans, the Office's plans support the Departmental plans and broad government objectives and priorities. Without appropriate planning, effective direction is not established and it is much more difficult to ensure that there is effective communication and control.

We recognize that a significant portion of the planning that has taken place has been verbal in nature and not formally documented. We also note, that recently the Public Trustee with support from management has started the process of developing a formal business plan for the fiscal year ending March 31, 1993. This plan includes workload expectations, staffing requirements, alternative strategies, reporting mechanisms and a number of other issues to be addressed. This is a positive step.

We recommend that the Public Trustee's Office continue with its recent efforts to improve its planning practices and implement a proactive planning process. The planning done at the Public Trustee's Office should provide an appropriate linkage and support to the overall goals and objectives of the Department of Justice and that of the overall Government.

Comments of Officials

In the Provincial Auditor's Report to the Legislative Assembly for the fiscal year

ended March 31, 1991, reference was made to the Province's Management Practices Guide. Copies of that guide have been obtained and circulated to Management staff.

A Business Plan has been developed for the fiscal year ended March 31, 1993. It includes the basics required for a plan, but it is short term because this is the first formalized planning exercise in this office; and the plan covers a year in which significant changes in legislation and government policy surrounding mental health issues are expected. The business plan for the office will be coordinated with any strategic plan, which is developed for the Department of Justice.

We also noted the following areas which are an integral part of the planning function in which improvements should be made:

Scope of Responsibility

While the Public Trustee's Office is responsible for the personal and financial affairs of the clients, the Public Trustee delegates the day to day supervision of clients to the community services network via the Regional Directors of Health and Community Services.

Staff of the Public Trustee's Office identified a lack of clarity of the responsibilities or acceptance of duties between the staff of the Public Trustee's Office and that of the community services personnel assigned to each client. Instances were identified where the Public Trustee's Office performs work which is more appropriately associated with that of the mental health workers, community services workers and continuing care coordinators.

In order for clients to be serviced in an effective and efficient manner, it is important that the roles and responsibilities for all persons involved be clearly documented and communicated to the staff and clients. This will assist in avoiding misunderstandings and ensure that services provided are not duplicated or omitted.

We recommend that the Public Trustee's Office, in conjunction with the various services personnel, clarify specific roles and responsibilities of each party in providing services to clients.

Comments of Officials

Meetings have now been held with the three departments in the Winnipeg Regional Director's office to whom day to day supervision of clients is delegated. A policy that is acceptable to this office and all of the Regional Directors is being planned and will be in place during the next fiscal year.

Service Delivery Standards

Formal standards have not been set as to expectations for handling of client accounts by the Client Administration Officers.

Standards provide a basis for the measurement and evaluation of performance. Standards assist staff in understanding what is expected of them in the performance of their duties. They also assist in providing a consistent message to staff and serve as a linkage between the staff and the overall objectives of the organization.

Service delivery standards also provide a linkage between the organization and the client. The greater the understanding of the expectations between the provider of the service and the recipient the less chance for misunderstanding or misinterpretation to occur.

Without documented standards, individual as well as organizational performance cannot be accurately measured. Staff are left to develop their own levels of performance for service provided to clients. As a result, the level of service provided to clients may not be at the levels expected by the Public Trustee or the client. Staff may be providing services at levels which are in excess of what is an acceptable level or may be providing service at lesser levels.

We recommend that the Public Trustee's Office review and document guidelines for acceptable levels of service to be provided to clients. Consultation and comparison with other jurisdictions and also the private sector as to their service levels may be appropriate.

Comments of Officials

Standards have been developed, identified and included in the business plan. These standards have not yet been implemented in the section because with a group of people providing crisis management on their files due to the volume, rather than planned activity, it is unwise to impose a set of standards, which cannot realistically be achieved under the present circumstances.

b. Reporting

Management reporting systems are critical to the effectiveness of decision making of an organization. A properly established management reporting system should ensure an appropriate flow of operational information covering the organization's activities and a comparison of results with planned outputs and key results indicators. Management information should be collected and presented in a manner which is consistent with the plans of the organization. Management reporting should supply results oriented information on operational performance. Factors such as quality, timeliness, quantity and relevance must all be carefully

considered in setting up a management reporting system which will provide management with the right information at the right time. Management reporting is fundamental to maintaining managerial accountability. It is the means of providing management with information needed to make decisions and serves as a link between planning and control.

With the previously noted limitations in the Office's planning and organizing functions, the reporting system currently in place is of limited effectiveness. As the purpose of our audit was not to assess management practices at the Public Trustee's Office we did not perform a specific audit of the reporting function. We did however, identify certain reporting issues:

Management Reports

At the time of our audit, we noted that there is no formal mechanism in place which provides information to the Manager, Client Administration on the type or location of clients by each officer. Management is unsure of the extent of active files, inactive files or files with minimal action required. A computer application to provide certain information on client location was however generating erroneous data which could not be used. At the time of our review this information was estimated and available informally. We understand that correct data is now been generated due to recent changes to the computer program.

In addition, no summary report (exception report) is produced which identifies the higher priority accounts and actions taken or to be taken on those accounts for management's review and familiarization. For example, officers could generate such a report on their ten most critical or high profile and/or largest dollar value accounts and provide information to management on these accounts.

The lack of such information restricts the ability of management to analyze and determine the mix of clients and related distribution of accounts to staff. It also restricts management in their ability to assess what is an appropriate mix of clients for staff and could lead to inequitable distributions to staff. Without a formally documented assessment, staff will make their own judgements on the client mix which may result in incorrect conclusions or perceptions being made of their particular clients and workload compared to other staff. This is will impact on job satisfaction and morale. Appropriate reporting systems also assist management in the proactive assessment of an organization's activities and identification of variances or potential problem areas before they become significant or the organization is placed in reactive crisis situations.

We recommend that the Public Trustee's Office place a high priority on the review and assessment of what management reports are of critical importance and ensure that the computer application for the generation of such reports are developed and that the reports are generated and distributed on a monthly basis.

Comments of Officials

The computerized accounting system was installed to prevent the total chaos, which would have resulted from the failure of the old NCR system - a failure which was apparently imminent. The system has not been developed further to provide the kinds of management reports which would assist in administration.

A post-implementation review is scheduled for the next fiscal year, together with development of enhanced management information. This development is dependent upon the Information Systems Group resources within the department, and staff and monetary resource allocation.

Overtime

From discussions with staff, overtime is necessary. However, overtime worked is not always recorded. According to a memorandum of January 1991 no overtime was to be worked unless approved by the Acting Public Trustee. Recently, the staff are operating under an informal policy which restricts overtime to approximately twelve hours biweekly for each of the sections. Consequently, the overtime is being worked in any event and is not being recorded.

Excessive overtime is an indicator of insufficient staff or inefficient procedures being performed. Prolonged overtime usually results in increased sickness, absenteeism, staff turnover and decrease in staff morale. This is amplified when staff are not compensated for the overtime.

We recommend that the Public Trustee's Office review this overtime practice and develop and document an appropriate policy. The policy should be of sufficient detail and include such topics as approval, carry forward, payment for, compensating time and linkage to agreements or legislation.

Comments of Officials

All overtime which has been previously approved by the Manager is being paid. A memorandum outlining the treatment of how overtime worked and taken as time off has been issued.

Technological Changes

During the past few years the Public Trustee's Office has been in the process of converting its old N.C.R card based accounting system to a technologically superior computer-based accounting system. In May 1990, the N.C.R. system was discontinued and an on-line computer system took over. The system uses terminals for data input and enquiry and the Client Administration Officers access client information through these terminals. We note however, that all officers do not have convenient, immediate access to terminals. Due to a limited number of

terminals, certain officers must share terminals. Although nearby, it requires those officers sharing terminals to leave their desks to use the terminal and to wait or delay enquiry if the terminal is in use. The necessity to share terminals restricts the officer's ability to perform their job at an optimal level. In our view, with the volume of accounts each officer has, exclusive use of a terminal appears to be a necessity. A detailed review of the value added and time savings associated with exclusive use of a terminal has not yet been developed by the Public Trustee's Office.

In addition, other mechanisms are available which the Public Trustee's Office could utilize in improving efficiency. Personal computers which are linked to the data base system could be utilized for correspondence and other word processing applications. We understand that this technology is presently being used by the legal section and could also be of assistance to other sections as well. In addition, technologies are now available which allow on-line computer access to non-system prepared documents and thus eliminate the necessity to manually obtain and review a hardcopy file. Other technological improvements could include improved telephone technology or camera equipment to record client inventories.

We recommend that the Public Trustee's Office place a high priority on the development of a systems plan which may include justification for the acquisition of terminals for all officers. Other technological mechanisms to increase efficiency should also be considered.

Comments of Officials

All Client Administration Officers now have terminals and the support staff will be receiving terminals with personal computer/word processing capacity, in stages.

The original systems design contemplated each Officer having a terminal when the system went up, but this was not accomplished because of a lack of budget money, until January 1992.

Other technological advances to increase efficiency will be considered, but will be unable to be accomplished until money can be made available for their purchase. For example, we examined the possibility of an automated telephone answering system for the switchboard. The cost is $500.00 per month, and there is not $6,000.00 leeway in the budget, which can be used to install this system.

c. Controlling and Evaluating

It is important for an organization to have effective controlling and evaluating processes in place, comparing its actual operations to budgets and detailed operating plans to help ensure that results are being achieved as planned.

Ongoing monitoring of actual results compared to operating plans is necessary to help ensure that the objectives of an organization are being met through proper actions at operational levels. Corrective action can then be taken to resolve problems and to steer the organization's operations back on track. The controlling process compares actual performance against expected key results and analyzes the cause of any deviation.

Evaluating involves reviewing past activities relative to the overall mission of an organization. Past activities must also be evaluated against specific operational objectives. The evaluation of current activities should provide management with an opportunity to learn from past decisions and apply this knowledge to the planning of future activities.

Due to the limited stage of development of the planning, organizing and reporting functions, the controlling and evaluation functions currently in place are of limited effectiveness as well. We identified the following items:

Staff Performance Evaluation

We noted that staff performance review practices need to be improved. Although staff performance is evaluated for the most part on an informal and ongoing basis throughout the year for staff, a formal performance evaluation process has not been implemented. As a result, staff have not had their performances appraised on a consistent or timely basis.

Standards of performance must be established as an integral part of a performance management process. The appraisal process necessitates ongoing observation and documentation of variances from established standards. The process will assist in identifying staff training and development needs, and will assist in identifying exceptional performance for opportunities for advancement.

Appropriate and timely evaluation of all staff is a necessary tool for effective performance assessment. The criteria on which an employee is to be evaluated needs to be clearly understood by both the employee and employer. This is necessary to assist in minimizing misunderstandings which may subsequently occur.

We recommend that the Office work to develop appropriate appraisal policies and to implement an appropriate appraisal system.

Comments of Officials

A Performance Evaluation system has been developed for the Client Administration Section and is ready to be implemented. Again, the problem is evaluating performance, which will not meet expected standards because of the inability to cope with the work load.

Training and Development

Part of the staff evaluation process is determining the training and development needs of staff. We noted this aspect of the operations should be improved.

The training and development of staff are important aspects of human resource management. In order for staff to appropriately carry out their duties and responsibilities, they must be properly trained. Training is not limited to formal classroom training. Varied work assignments, a conscious development of role models, succession planning and on the job training also contribute to training and development. Improved job-related skills can result in increased productivity. A consistent message can also be communicated at all formal training sessions thereby nurturing a healthy corporate culture. New skills and knowledge can be provided to staff within the framework of mid or long-term objectives. Staff have identified a need for the necessity of increased knowledge in regards to orientation and training of new staff, computer operations, asset management and legislated authorities.

Although the staff have attended some training and informational sessions, formal, proactive training and development plans do not exist.

The training and development activities should be linked to the overall plan for the Office. In order to evaluate training results and improve future training decisions, results should be measured against planned objectives. In addition, individual training needs can be identified and assessed during staff performance appraisals.

We recommend that each section of the office develop a training and development plan which should be supportive of planned organizational objectives.

Comments of Officials

A formal training needs assessment is underway by staff from the Department of Justice and the Civil Service Commission. Once finalized, the plan will form part of the Business Plan for the office.

January 10, 1992

Appendix 1

Public Trustee's Office
Statistical Comparison 1987 and 1991

Description	1987	1991	Percentage Increase
Number of Accounts	3,244	3,956	22%
Assets administered	$57,815,000	$89,262,000	55%
Significant accounts:			
$100,000 - $ 500,000	125	200	60%
$500,000 - $1,000,000	-	8	
Over $1,000,00	-	1	
Client Administration Officers (CAO)	7	9	28%
Client Administration Support Staff (CASS)	6	7	17%
TOTAL	13	16	23%
Caseload per CAO	463	439	
Caseload per CAO and CASS	249	247	
Number of hours available per person per year	1,485	1,485	
Time per CAO per file per year	3.2 hours	3.4 hours	
Time per CAO per file per month	16 minutes	17 minutes	
Time per CAO and CASS per file per year	6 hours	6 hours	
Time per CAO and CASS per file per month	30 minutes	30 minutes	

Public Trustee's Office - Computer Control Review

Introduction

The Public Trustee acts as the administrator of estates on behalf of persons affected by various disabilities, mental disorders, age and death. The Public Trustee is considered to be an appointment of last resort and therefore provides a public service, generally where there is no other competent or acceptable person available to provide the required service.

It is necessary for the Public Trustee to be able to demonstrate appropriate stewardship over the estates under administration. Estate recordkeeping is important, particularly since there are in excess of 5,500 estates under the direction of the Public Trustee.

In May 1990, an automated accounting and management information system was implemented to replace the NCR 399 card-based accounting system which was originally installed in 1975. It was believed that the new Public Trustee computer system would facilitate better recordkeeping, specifically greater protection of data and files, improved financial and auditing controls and automation of statistics and other management information.

The Public Trustee's Office is an agency reporting through the Department of Justice. The Public Trustee computer system is provided with ongoing system enhancement and support by the Department of Justice, Information Systems Group. The Information Systems Management Corporation (ISM; formerly Manitoba Data Services) facilities are used for data processing.

Objectives and Scope

We carried out an audit of the Public Trustee computer system during the fiscal year ended March 31, 1992. Our audit objective was to evaluate the adequacy of management's internal control systems over the computer environment and the accounting applications.

Management's objective for internal control should be to ensure, as practical, the orderly and efficient conduct of the business. This includes control activities performed by:

(A) The Department of Justice - Senior Management through:

Establishment of departmental policies -

the establishment of departmental policies for information systems and approval of plans to carry out these policies and

Delegation of responsibility -

delegation of responsibility to user management and information system management, monitored appropriately.

(B) Management of the Public Trustee's Office, who would be expected to provide:

Segregation of incompatible functions -

have an organizational structure that provided for an appropriate segregation of incompatible functions.

Standards to Guide Personnel in Operating the System -

develop and communicate standards to guide personnel in operating the system.

Specific Application Controls -

ensure that only authorized transactions are recorded and processed completely, accurately and on a timely basis.

Monitoring the effectiveness and relevance of systems -

appropriately monitor the effectiveness and relevance of systems implemented which support the Office's objectives and policies.

and

(C) The Department of Justice - Information System Group - who should ensure:

The Success of the New System -

the new system will provide for the entity's information needs, will work and will be completed on time and within budget, and

Segregation of Incompatible Functions -

that users of the new system will have control over changes to programmed control procedures, program logic and calculation functions of the system.

We used the Canadian Institute of Chartered Accountants publication - Computer Control Guidelines (second edition) as a guide. Specific findings resulting from our audit have been cross-referenced to the minimum control standards enunciated in the Computer Control Guidelines.

The audit was carried out in accordance with public sector auditing standards and accordingly included such tests and other procedures as we considered necessary.

Findings

The project team implementing the Public Trustee computer system was comprised of external consultants, representatives from the Department of Justice including the Information Systems Group, and staff members of the Public Trustee's Office. The process commenced with a feasibility study in 1985, followed by a definition of requirements stage in 1986. System development took place in 1989 and 1990, with the most critical accounting system components becoming operational in May 1990.

We observed that the system as originally designed was not fully implemented in May 1990. A number of programs were deferred to meet the installation date and have still not been completed. Our detailed findings which follow include recommendations directed towards all three levels of management. Our recommendations include the need to ensure that new systems and major enhancements to existing systems be appropriately monitored by Department of Justice - Senior Management. We also recommend that the Public Trustee's Office arrange for a post implementation review of the system to identify areas requiring further attention and to provide the Public Trustee with recommendations for improvement for future systems development projects. With respect to the Department of Justice - Information System Group, we recommend that standards be developed for system development and acquisition of information systems.

We concluded that a number of weaknesses exist in management's internal control systems over the computer environment and the accounting applications. In addition to the above recommendations, actions are required to strengthen:

- segregation of duties within the Information System Group to ensure only authorized programs and changes are placed into production;
- the monitoring of delegated responsibilities by senior management of the Department of Justice;
- specific applications controls;
- standards to guide personnel in operating the system;
- the information provided to management to allow them to assess the success of the Public Trustee computer system, by arranging for a post-implementation review; and
- the internal audit function for the Public Trustee's Office.

Our specific findings and recommendations are described below:

Department of Justice - Senior Management

Establishment of departmental policies, and Delegation of responsibilities

The role of the Executive Management Committee (EMC) of the Department of Justice is to coordinate and control the activities of overall departmental planning for both maintenance and development of systems. During the development of the Public Trustee computer system, the Department's EMC established a Project Steering Committee to provide the linkage between the senior, user and information systems management levels.

We observed that the development of the system suffered from several delays. As a result, overall costs of system development and conversion were significantly more than originally anticipated. The system as originally designed still remains incomplete. Approval and documentation of this change from the original design has not been addressed by the EMC.

Our audit disclosed that there is no formal signoff, acknowledgement or acceptance of the new system by user management. User management has not obtained assurance that the expectations of the system have been achieved. In addition, user management has not been provided with assurance that the external consultant, hired at a cost of approximately $595,000 to assist with project development, provided all the services originally contracted for. Computer Control (C7).

Senior management within the Department of Justice delegated the responsibility for formal signoff, acknowledgement or acceptance of the Public Trustee computer system to user management. Senior management did not, however, establish monitoring procedures to ensure delegated responsibilities were carried out on a timely basis.

Recently, the Departmental Information Systems Committee (DISC) was re-established, reporting to the Executive Management Committee. The DISC has the responsibility to "monitor and guide the direction that the Department of Justice, Information System Group is to take in technological innovation.

We recommend that the mandate of the DISC be expanded to include responsibility for monitoring the system development life cycle of new systems and major enhancements to existing systems. This will assist in preventing delays in future projects, such as the one which occurred in the development of the Public Trustee computer system. We further recommend that the DISC monitor the progress of key phases in the system development life cycle. This will help to ensure that projects will be completed as originally approved or that any significant changes are reported to senior management for their approval.

Comments of Officials

The development of the Public Trustee computer system suffered from several delays. One of the major delays encountered related to an interest allocation problem within the

office and resulted in key personnel being reassigned to deal with that problem instead of working on the systems implementation.

The mandate of the DISC will be expanded to include responsibility for monitoring the system development, life cycle of new systems and major enhancement to existing systems. DISC will monitor the progress of key phases in the systems development life cycle. As well, DISC will be responsible for approving any significant changes to projects.

The Public Trustee's Office

Segregation of incompatible functions

Functions are said to be incompatible if their performance by one individual places him or her in a position to both commit and conceal fraud or an error. Systems development, processing and support activities should be segregated within the user department.

Computer Control (I1)

At the present time, the Comptroller is responsible for the processing of accounting data for the Public Trustee system. He also performs a support role as the System Coordinator and System Administrator, responsible for system support, administration and security. These are incompatible functions, since the person responsible for the system is in a position to conceal frauds or errors resulting from the processing of accounting data. In addition, the time demands of system support have proven to be significant. This function requires more effort than a part-time staff member can contribute to the organization.

We recommend that the Public Trustee review the current responsibilities of the Comptroller's position. The system support, administration and security functions should be segregated from the accounting processing function. Consideration should be given to whether existing staff resources can be used to fulfil these functions or whether additional resources are required.

Comments of Officials

The primary objective of the new computer system was a replacement of the existing N.C.R. 399 accounting system. This necessitated that the most intensive input to the systems design and development was required from the accounting section. We agree that the Comptroller (Manager, Financial Administration) has many demands on his time. Additional staff resources were not provided in the initial system design which would have allowed the segregation of the duties in the system administrator. Therefore, additional staff would be required to satisfy this concern as there is no other appropriate person in the office to whom systems responsibilities can be assigned.

Standards to Guide Personnel in Operating the System

Procedure manuals provide personnel with a guide as to how to perform their duties. Manuals help to reduce operational problems and assist in training personnel.

Although standards have been established informally for the Public Trustee computer system, communicated verbally and generally followed with regard to systems access, backup and recovery, the standards are not yet clearly documented in an operating procedure manual. Computer Control (H1-1)

In addition, there are no written procedure manuals for the remote job entry (RJE) batched input operations or the accounting control procedures.
Computer Controls (H2-4), (07-2)

During our audit, we observed that the senior RJE operator had to be called in from vacation, as manuals were not available to assist staff in her absence. The Public Trustee system is dependent on regular processing of batch accounting input to remain up-to-date. The existence of documented operating procedures as well as appropriate staff planning will ensure that the RJE batch operations will not be adversely affected by staff changes or replacements.

We recommend that priority be given to developing a policy and procedures manual for operations and accounting controls. We also recommend that the duties of the assigned RJE operators be rotated so that experience in use of the system can be gained by several staff members.

Comments of Officials

The procedures manual for the Financial Administration Section will be completed by June 30, 1992, as reported in our response to both of the other Audit Reports which were conducted in the Office of the Public Trustee in F'92. These procedures will include standards to guide employees in operating the system. Additional staff members have been given training as operators on the system and this training will be continued and job rotation utilized.

Specific Application Controls

Reconciliation of Sundries Account

Monies received by the Public Trustee's Office that cannot be credited to specific client accounts is placed in a Sundries Account. Although this account is reviewed on a weekly basis by an accounting clerk, the reconciliations that are carried out are completed on an irregular basis and are not subject to any review and approval. Errors which occur in the processing of transactions may not be detected and corrected on a timely basis.
Computer Controls (01-2), (03-8)

We recommend that the Sundries Account in the General Ledger be reconciled on a regular basis, at least monthly, and the results be formally documented, reviewed and approved.

Comments of Officials

The Sundries Account is now reconciled monthly with reconciliation approved by the Senior Accountant.

Monitoring the effectiveness and relevance of systems

A. Monitoring - Internal Audit Function

We have previously reported to management that an internal audit function should be considered for the Public Trustee's Office.

During our audit of the Public Trustee computer system, we observed that user management has not monitored the degree to which the Department of Justice - Information Systems Group (ISG) activities match with the objectives and policies of the Department and the Public Trustee's Office. Although user management are ultimately responsible for the Public Trustee system, involvement of an internal audit function in reviewing details would provide management with necessary assurance that the objectives of the Office are being met.

Computer Control (A7-3)

In addition to the activities of the ISG, user management has not monitored the degree to which the Public Trustee computer system is effective and relevant. An audit of this, in addition to an audit of the adequacy of the control processes designed into applications, would generally be expected of the internal audit function, reporting to senior user management. Computer Control (A3-3, N1-1)

We recommend that the Public Trustee's Office consider establishing or arranging for an internal audit function whose responsibilities would include reviewing the Public Trustee computer system.

Comments of Officials

It is agreed that an internal audit of the adequacy of the control process and applications would be beneficial. As well, internal audit requirements identified in the other audit reports conducted in the Public Trustee's office in F'92 should be fulfilled. Assistance from Finance and Administration Branch will be requested in providing this function.

B. Monitoring - Post Implementation Review

A post-implementation review should be conducted approximately six months after

implementation of any system development project. The purpose of the post-implementation review is to determine whether the project succeeded in achieving what it started out to accomplish, whether the project was completed on time and within budget and to recommend how identified deficiencies can be remedied.

Computer Control (C4-7)

A post-implementation review of the Public Trustee computer system has not been performed.

We recommend that user management arrange for a post-implementation review of the Public Trustee computer system. Such a review will provide both user and senior management with assurance that the expectations have been achieved, identify areas requiring further attention and result in recommendations for improvement for future systems development projects. In addition, there is a need for assurance that the external consultant, hired at a cost of approximately $595,000 to assist with project development, provided all the services originally contracted for.

Comments of Officials

A post-implementation review of the Public Trustee computer system will be completed by June 30, 1992.

C. Acceptance of System

Once user management have the assurance that expectations have been achieved, they will be in a position to provide senior management with a formal sign-off indicating their acceptance of the Public Trustee system.

Computer Control (C7-1)

We recommend that once management has been provided with this information, a decision as to whether to accept the system or not should be made. If the system is to be accepted, the priority and need for all outstanding system development work based on the original specifications, together with requirements for maintenance and enhancement should be reassessed. We recommend that a plan of action, including identification of necessary financial and human resources be prepared.

Comments of Officials

The negotiated conclusion of services from System House involved the acceptance of all programs implemented plus plans for the completion of the outstanding matters. All outstanding critical programs were installed according to this plan. Any other outstanding items were converted to regular service requests prioritized with all outstanding service requests. A functionality review of the system is to be conducted by Public Trustee staff in F'93. It is expected that this

review will generate a number of new service requests. At present, outstanding service requests are reviewed at least quarterly to establish priorities. This review is conducted by ISG and Public Trustee staff, and results in allocation of resources and plans for resolving the outstanding requests. This activity is also governed by the overall departmental systems plan.

D. Investigation of Client Account Activity

No specific procedures are performed by the Client Administration and Trust Officers to detect a lack of activity in client accounts.

Computer Control (01-4)

Client accounts can become inactive for several different reasons. Expected receipts and required expenditures may be overlooked and not processed. The absence of a procedure to detect inactive accounts could expose the Public Trustee to unnecessary criticism or liability claims.

We recommend that the Public Trustee's Office appropriately monitor the activity in client accounts. Consideration should be given to requesting the Department of Justice ISG to develop a system generated report to advise client administration and Trust Officers of inactive client accounts under their care.

Comments of Officials

A service request will be submitted to report on inactive client accounts.

E. Month-end Reconciliations

Month-end reconciliations of subledgers to the general ledger control account are not being approved, such as those for accounts receivable, accounts payable, bonds by type, stocks, real estate and equity accounts.

Computer Control (07-1)

Reconciliations of subledgers to control accounts in the general ledger are important accounting controls which can flag inaccurate or incomplete processing of transactions for correction. Supervisors should approve reconciliations to verify that they were properly completed.

We recommend that all reconciliations of subledgers to general ledger control accounts be reviewed and approved upon completion.

Comments of Officials

All reconciliation of subledgers to general ledger control accounts are now reviewed and approved by the Senior Accountant.

F. Evidence of Completion of Control Procedures

Control reports produced by the computer system should be reviewed and initialled or signed as evidence of completion of the review. The reports should be retained by the accounting department as evidence of the operation of these control procedures. Computer Control (07-1)

The outstanding mail cash receipts, cheque requisitions and journal entry reports do not bear evidence of supervisory review or approval and are not retained by the accounting department. As a result, there is no evidence that management has reviewed the reasonableness of reconciling items, variances or edit exceptions.

We recommend that a policy for review and approval of control reports and their retention be developed by management.

Comments of Officials

A policy for review and approval of miscellaneous control reports will be developed and implemented by June 30, 1992.

G. Adequacy of Management Trails

The original system design for the Public Trustee computer system provided the ability to trace transactions forward through the system to its ultimate posting. The system does not facilitate tracing data backward, that is from a summary total to the detail or makeup of the entry. Computer Control (P2-3)

Management trails and cross-referencing procedures should be built into a well-designed information system. Presently there is no way of viewing the details of a journal entry or the contents of a batch of transaction on the computer screen or on a hard-copy print-out. As a result, management will find it difficult to identify the details making up an accounting entry in order to analyze data behind the summary information produced by the system.

We recommend that the system design be reviewed and steps taken to provide appropriate management trails of transactions processed.

Comments of Officials

Service requests are outstanding which will improve accessibility of batch information on line.

Department of Justice - Information System Group

The success of the new system

A. System Development

We observed that the Department of Justice - Information System Group (ISG) does not have its own in-house methodology and approach to ensure that information development, processing and support maintenance is carried out efficiently, on a consistent basis across the department.

Computer Controls (A5-2), (E1-2)

A controlled approach to the development and acquisition of information systems is necessary to ensure that these activities will achieve the desired results in an efficient and effective manner. Effective control of the system development process requires the use of standards that can be applied consistently in all systems development projects. Such standards are also necessary for efficient implementation and maintenance of information systems.

We recommend that standards for system development and acquisition be established by the ISG in consultation with the DISC and the Information Technology Review Office.

Comment of Officials

System development standards and methodologies have always been considered as key criteria. In selecting external consultants and arranging project development contracts, the methodology they will apply to the project has been a deciding factor. Information systems management has recognized the desire to develop or adopt its own standards and procedures covering system development, programming and documentation.

B. Implementation of the System

Our audit disclosed that the ISG does not have a formal or documented standard process to ensure the efficiency and effectiveness of the implementation of information systems. Computer Control (C2-1)

Implementation of a new system is a complex process involving the interaction of users and the development team. A clear assignment of responsibilities is necessary to ensure effective coordination of the various activities associated with implementing a new system. Critical activities include: conversion of data files, installation and testing of hardware and software, development of procedure manuals and training both the users and the programming personnel who will be required to maintain the system.

Without such standards, delays are more likely to occur in implementing a new system. We observed delays in implementing the Public Trustee computer system, and certain aspects of the original system design which have not been fully implemented. A documented standard process assists in avoiding such situations. We recommend that the initiative to develop standards referred to above include the development of standards concerning implementation of information system.

Comments of Officials

ISG Management and staff apply standard processes common to a system development life cycle and are guided by those published in the book entitled "Managing the System Development Process (SDLC)", published by Prentice-Hall Inc. for Touche Ross & Co. Variations to the processes have occurred on occasion to address specific situations. Formal and documented standards are deemed essential to successfully implementing information systems. ISG will adopt the standard processes for Project Management being finalized by the Information Technology Review Office of the Treasury Board Secretariat and where appropriate, will modify those that are currently being followed. Where standard processes specific to the SDLC phases (including system implementation) need further development, the associated work will be addressed through the management of change/service request procedures.

Segregation of Incompatible Functions

We observed that the movement of source code programs from test libraries to production libraries is performed by the analyst/programmer who is also responsible for making the changes. This represents a lack of segregation of duties which could allow unauthorized programs or changes to be placed into production.

Computer Control (D6-4)

All movement of programs should be controlled and subject to review and approval for all changes before it can be compiled into object code and placed into production.

A project currently exists within the ISG to redesign the test and production library environment. We recommend that in conjunction with this project, procedures be revised to ensure that the same programmer does not have responsibility for updating source code programs and the ability to transfer load modules to the production library.

Comments of Officials

Procedural changes have been made in response to this observation. The authority for moving on-line programs into production is now assigned, and limited to the Senior Systems Analyst responsible for the system application, and a designated backup Senior Systems Analyst. The Project to re-design the test and production library environment will further strengthen the controls associated with segregation of incompatible functions.

March 19, 1992

Rehabilitation Centre for Children, Inc.

Introduction

The Rehabilitation Centre for Children, Inc. (the Centre) was incorporated under The Corporations Act of Manitoba, on March 2, 1981. The Centre, which employs 59 full-time and 45 part-time staff, is an important component of the overall health care system for disabled children. The control and management of the Centre is vested in a Board of Directors. Under the Centre bylaws, up to 9 members are appointed by the Minister of Health and 1 member is elected by the members of the staff.

Under The Health Services Insurance Act, 1970, the Centre is funded by the Manitoba Health Services Commission (Commission). The Centre's funding is based on a budget for patient services, as approved by the Commission. For the year ended March 31, 1992, the Centre's budget was approximately:

Total revenue - $3,500,000, including:

$2,000,000 for patient services,
$ 600,000 for sales of orthotics and prosthetics, and
$ 700,000 of revenue from the school therapy program.

Total surplus - $1,500,000.

The Board of Directors of the Centre also controls an affiliated entity, the Rehabilitation Centre for Children Foundation Incorporated (the Foundation). The Foundation conducts scientific research related to the treatment and care of children. During the year ended March 31, 1991 the Foundation reimbursed the Centre $4,961 for expenses related to a research project. The Foundation is funded solely from donations. As at March 31, 1992 the Foundation has approximately $340,000 in surplus; $180,000 in a restricted trust fund and $160,000 in unrestricted funds.

Objectives and Scope

The Centre's financial attest audit is done by a private sector audit firm. We carried out an overview audit on the Centre. Our audit included procedures which are not generally included in an audit for reporting on financial statements and did not duplicate the work of the attest auditors. Our audit was designed to determine whether the Centre has adequate systems, procedures and practices in place to ensure the timely preparation of reliable financial information. In the course of carrying out this work, we sought to identify other matters that required attention.

Our audit was conducted in accordance with public sector auditing standards and accordingly included such tests and other procedures as we considered necessary in the

circumstances. Our observations and recommendations are based on our review for the year ended March 31,1992.

Conclusion

We concluded that the Centre has established adequate systems and procedures to ensure financial reporting is reliable and timely, in all significant respects.

In the course of our audit, we noted the following opportunities to improve:

- financial reporting, by including the assets and liabilities of the Foundation in the Centre's annual financial statements;

- planning, by developing an action plan for the use of the accumulated surplus; and

- formal guidelines available to nursing staff, by developing a policy and procedures manual.

Our observations and recommendations are set out below.

Observations and Recommendations

Enhanced Financial Reporting

The Centre's year end financial statements do not include the operations of its affiliated entity, the Foundation.

Combining the operations of the Foundation with the operations of the Centre would enhance the Centre's financial reporting. This would provide users of the Centre's financial statements with a more complete accounting of the full nature and extent of the operations and resources for which the Board is responsible.

We recommend the Centre combine the operations of the Foundation in its annual financial statements through expanded financial statement note disclosure.

Comments of Officials

Senior officials agree to consider the recommendation regarding the reporting of the Foundation's operations. Although the Rehabilitation Centre for Children and the Foundation have shared a common Board of Directors, this structure is under review.

Surpluses

At March 31, 1992 The Centre has approximately $1,500,000 recorded as surplus. The

Foundation has a surplus of approximately $340,000. These surpluses are primarily in current net assets.

These surpluses have accumulated over the past ten years. A plan of action to utilize these surpluses needs to be developed. Such a plan would demonstrate the Centre's proactive approach for establishing priorities to fulfil its goals for meeting the needs of its patients.

The current Board of Directors is relatively new. The Chairperson stated that although the new Board has discussed possible uses for the surpluses, a formal plan to utilize the surpluses has not been completed.

We recommend the Board finalize an action plan regarding its surpluses as soon as possible.

Comments of Officials

The strategic planning exercise is underway. Once the Centre's long term plans have been formalized appropriate utilization of the surpluses can occur.

Policy and Procedures Manual

The Centre needs to develop a policy and procedures manual for its nursing staff.

One of the Centre's main objectives is to provide comprehensive clinical care in a multi-disciplinary environment. Management is responsible for implementing appropriate processes to ensure its objectives are met. A policy and procedures manual that provides staff direction as to the acceptable standards of care is an essential part of the process. The absence of such a manual increases the risk that management has failed to address all critical aspects of operations. It also increases the risk that current policies and procedures are not being followed effectively. A policy and procedures manual provides management with a vehicle to:

- Communicate policies and intended procedures to staff;
- Advise staff of the appropriate level of quality of care;
- Provide staff with a guide to improvement and with training opportunities;
- Provide management with a benchmark against which staff performance can be measured;
- Decrease the risk that inappropriate action is taken; and
- Reduce the risk of legal action.

We note that some preliminary work on a manual has taken place. However, progress has been slow. We were informed by the Chairperson that the new Board is committed to the successful completion of this task.

We recommend that the Board oversee the successful completion of the manual on a priority basis.

Comments of Officials

The development of a policy and procedure manual for the Rehabilitation Centre for Children will begin this year. Standards documents have been received from the Canadian Council on Health Facility Accreditation. These documents will guide our effort in the manual development. The nursing portion of the manual will be given first priority.

August 21, 1992

The University of Manitoba - Trust and Endowment Funds

Introduction

Trust and Endowment Funds are one of the three primary Funds maintained by the University of Manitoba. Trust and Endowment Funds are maintained to account for gifts and bequests and certain research funds received by the University. They are used in accordance with stipulated purposes. The University also maintains the General Fund and the Staff Benefits Fund.

Trust and Endowment Funds normally arise as a result of donations and bequests made to the University from various donors. In some cases, Trust and Endowment Funds are created by the University itself. Generally, as a condition of the gifts, principal is maintained intact, in perpetuity, and is invested for the purpose of producing income which may be expended or added to the principal. The stipulated underlying terms and conditions of each fund determine how the fund is maintained. If there are no investment stipulations the University creates a non-specific fund and combines these funds with other funds to provide for better investment performance. This investment pool is known as "The University Investment Trust Fund". Other funds with specific investment stipulations are set up as "Specific Trusts" where separate investments are purchased for each fund.

The number and value of Trust and Endowment Funds under the control of the University has increased considerably in the past few years. This is primarily due to the significant fund raising efforts undertaken in recent years. Since March 31, 1986 the Trust and Endowment Funds have risen from approximately 570 funds valued at $17.5 million to over 780 funds valued at $51.5 million at March 31, 1991. This is an increase of $34

million or 194% over the five year period. University officials anticipate the Trust and Endowment Funds will be in excess of $100 million by the year 2000.

Objectives and Scope

Our audit was initiated to review the adequacy of the University's internal control systems in place over the Trust and Endowment Funds administered by various offices throughout the University.

Trust and Endowment Funds are administered by the Comptroller's Office, the Private Funding Office, the Financial Aid and Awards Office, and various Faculties of the University. The Comptroller's Office provides a centralized accounting function for the Trust and Endowment Funds.

Our audit criteria were designed to address management's objectives for maintaining appropriate controls.

Management's objective for internal control of Trust and Endowment transactions should be to ensure, as far as practical, the orderly and efficient conduct of the University's activities, including:

- Compliance with legislation and other significant authorities;
- Prevention and detection of fraud and error;
- Safeguarding of assets and public property;
- Assessment, collection and allocation of revenue;
- Reliability of accounting records; and
- Timely preparation of reliable financial information.

Our audit was conducted in accordance with Public Sector auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances. Our findings are based on the systems in place during the period of our review.

Summary Conclusion

We are satisfied that the internal controls in place over the Trust and Endowment Funds are generally adequate, however, certain improvements should be made regarding the Comptroller's Office, the Private Funding Office and the Financial Aids and Awards Office. During our audit we also noted opportunities to improve efficiencies. Our findings related to internal control and recommendations for control improvements are discussed in detail in the following sections for each area of administrative responsibility. Brief comments on the opportunities to improve efficiency are also included.

During our review of the Private Funding Office we identified significant transactions processed through The University of Manitoba Foundation U.S.A. Inc. The largest of

these transactions (in excess of one million dollars) has been transferred to the University of Manitoba and has been accounted for in the records of the University at March 31, 1991. However, other funds have remained on deposit in a trust company in the United States in the name of the Foundation. These other funds have not been properly accounted for by the University of Manitoba at March 31, 1991. We are concerned about this lack of accountability for Trust and Endowment Funds. We are also concerned about the lack of approval for this arrangement by the University's Board of Governors and the absence of a formal agreement between the University and the Foundation.

Accountability is a fundamental responsibility of management that must be clearly demonstrated. Board approval is important because the U.S.A. Foundation is using the name of the University of Manitoba in its representations and the University and the Board of Governors may be deemed responsible for any actions of the U.S.A. Foundation.

Accordingly, we recommend the Board of Governors consider if this arrangement is appropriate and document the decision in the Board of Governor's Minutes. If considered appropriate, we further recommend University officials establish an operating agreement between the University and the Foundation to clarify the reporting relationship and roles and responsibilities of the University and the Foundation. Finally, regardless of the Board decision, we recommend University officials initiate requests for full details of all completed transactions, process appropriate accounting entries in the University's records and proceed with the collection of all funds due to the University.

Comments of Officials

The Vice-President (Administration) agrees with our recommendations and will take action to ensure our concerns and recommendations are addressed by appropriate officials and staff.

Findings on Internal Controls

1. Comptroller's Office

The Comptroller's Office is primarily responsible for the accounting, recordkeeping and financial reporting of all trust and endowment transactions. The Office is responsible for the protection of investments made on behalf of the funds and the distribution of income earned thereon to the various funds. The Office maintains individual files for each trust and endowment account.

Our review of the internal control systems in the Comptroller's Office included:

- Review of the adequacy of the Office's controls to ensure that investments made by the University are in accordance with the requirements set out in the University of Manitoba Act;
- Review of the controls for preventing unsupported and unauthorized cheques from being issued;

- Review of the procedures to ensure reliable accounting records are maintained;
- Review of the custodial arrangements for the safekeeping of investments held;
- Review of the process of allocating investment income to ensure the distributions were independently verified; and
- Review of the timeliness and completeness of reporting on fund activities and utilization.

Based on our audit we concluded that the internal controls in the Comptroller's Office over the Trust and Endowment Funds are adequate regarding:

- requirements set out in the University of Manitoba Act;
- issuance of cheques;
- accounting records maintained;
- custodial arrangements for the safekeeping of investments held; and
- allocation of investment income.

Our audit did disclose that improvements should be made regarding the reporting on fund activities and utilization. Also, based on our review we concluded that the internal control systems in the Comptroller's Office would be enhanced if policies and procedures were clearly defined, documented and communicated with appropriate manuals.

a. Reporting on Fund Activities and Utilization

Currently the reporting of Trust and Endowment Fund activities and utilization is informal and initiated only on a request basis. Contributors and faculties responsible for fund utilization are not receiving appropriate accountability reports on a regular and timely basis.

Appropriate formal reporting systems would assist contributors and fund administrators to effectively assess fund utilization and to ensure compliance with the terms and conditions of each fund. Such reporting should include information on opening and closing balances, additional current contributions, fund disbursements, and any income earned by the fund.

We recommend that the Comptroller's Office review and formalize the fund activity and utilization reporting to both the faculties responsible for fund administration and to fund contributors.

Comments of Officials

The Vice-President (Administration) agrees with our recommendation and advised that the Comptroller's Office will review and formalize the fund activity and utilization reporting.

b. Policies and Procedures Manuals

As part of our audit, we reviewed the Comptroller's Office Trust and Endowment Policies and Procedures Manual. We found the Manual to be sufficiently comprehensive only regarding investment policies and procedures for The University Investment Trust Fund. Policies and procedures regarding the Specific Trusts and general accounting and administrative activities are not sufficiently comprehensive.

Formalized policies and procedures provide consistent direction to staff and assist in the training of new or temporary staff. The absence of clearly documented policies and procedures may lead to errors in the performance of duties. Appropriate and consistent guidance is important for the orderly and efficient conduct of activities in the Comptroller's Office.

We recommend that the Comptroller's Office expand its Policies and Procedures Manual to include accounting and administrative guidelines on how to administer the following:

- Establishment of new funds;
- Receipt of funds;
- Disbursement of funds;
- Loan funds, including monitoring, collection, computation of interest and write-off;
- Valuation of gifts in kind;
- Specific Trust investments;
- Utilization of funds by the Financial Aid and Awards Office and various faculties of the University;
- The organization and content of files and general documentation;
- Monthly reconciliations and reporting; and
- Future updates to the Manual.

Comments of Officials

The Vice-President (Administration) agrees with our recommendation and advised that the Policies and Procedures Manual for the Comptroller's Office will be expanded to include the above.

2. Private Funding Office

The Private Funding Office is primarily responsible for the coordination of fund raising activities of the University. This includes the coordination of various funding campaigns, maintenance of pledge databases and donor files, and the processing of donations and receipts.

Our review of the internal control systems in the Private Funding Office consisted of a review of procedures for the monitoring of pledges and for the review and approval of uncollectible pledges.

We concluded that the internal controls in place over the fund raising activities at the Private Funding Office are adequate regarding the monitoring of pledges. However, improvement is required for the monitoring by management of pledges classified as uncollectible. Also, we concluded that the Policies and Procedures Manual should be improved by including specific guidance regarding uncollectible pledges.

In addition, based on a review conducted by the Computer Services Department in early 1991, there are opportunities to improve data processing efficiencies in the Private Funding Office. Currently there are four separate pledge databases and an automated receipting system used in the Private Funding area. These databases and the receipting system were developed as separate systems and focused on particular information needs at the time of development. None of these systems are integrated. As a result there is duplication and inefficiency in the processing and reporting of information.

Regarding uncollectible pledges, our review identified that periodic reports generated for pledge activity do not include sufficient details on uncollectible pledges to facilitate effective management review and approval. The reports generated do not reflect details of individual pledges that are designated as uncollectible. As a result, management is not in a position to independently assess uncollectible pledges.

We recommend that the Private Funding Office expand periodic pledge reports to include sufficient details of uncollectible pledges to facilitate timely management review and approval. We also recommend the Private Funding Office consider expanding the Policies and Procedures Manual to include guidance regarding uncollectible pledges and work towards achieving the potential data processing efficiencies identified by the Computer Services Department.

Comments of Officials

The Director of Development will revise pledge reports to include additional details of uncollectible pledges to provide management with sufficient information to conclude that an outstanding pledge is, in fact, uncollectible.

The Policies and Procedures Manual for the Private Funding Office will be revised to include a reference on the procedures to be followed to collect outstanding pledges and the criteria used to make the final determination that pledges are, in fact, uncollectible.

In the matter of data processing efficiencies, the Private Funding Office, the Alumni Association, and Computer Services are in Phase I of the implementation of the design of a centralized alumni/development data base to support the Private Funding Office and the Alumni Association. A review of the progress in designing the new system will be undertaken to determine whether or not it is possible to accelerate the completion date of the new system.

3. Financial Aid and Awards Office

The Financial Aid and Awards Office is responsible for the selection and distribution of annual awards to students. The primary source of funding for the awards is from the Trust and Endowment Funds.

Our audit was conducted to review internal control procedures over the awards selection process and for compliance with stipulated criteria related to award programs.

Based on our review, we are satisfied that control procedures at the Financial Aid and Awards Office are satisfactory. However, control procedures are not supported with a Policies and Procedures Manual. Such a manual would provide consistent direction to staff and assist in the training of new or temporary staff. The absence of clearly documented policies and procedures may lead to errors in the performance of duties. Appropriate and consistent guidance is important for the orderly and efficient conduct of activities in the Financial Aid and Awards Office.

Officials of the Office have recognized the need for a manual for some time. We understand that a committee was established to review the awards program at the University and to consider developing a Policies and Procedures Manual.

We support this initiative and recommend the Financial Aid and Awards Office proceed to develop an appropriate Policies and Procedures Manual.

Comments of Officials

The Vice-President (Adminstration) is in agreement with the recommendation and advised that an appropriate Policies and Procedures Manual for the Financial Aid and Awards Office will be developed.

March 10, 1992

INSPECTION AUDITS

"Inspection Audit

17(4) The Provincial Auditor may perform an inspection audit of a recipient of public moneys ..."

Manitoba Museum of Man and Nature

Introduction

The Manitoba Museum of Man and Nature is the provincial museum mandated to acquire and share knowledge of Manitoba's human and natural history. The Museum's mandate includes the operation of the Planetarium to provide a knowledge of the solar system. The Museum and the Planetarium are located in the Manitoba Centennial Centre which is the permanent arts centre for Manitoba established to celebrate Canada's and Manitoba's centenaries. The Planetarium was formally opened in 1968 and the Museum in 1970.

The Manitoba Museum of Man and Nature was established as a corporation under The Museum of Man and Nature Act. Section 3 of the Act describes the purposes of the corporation as being:

- to serve as an educational institution;
- to establish and maintain a museum and a planetarium;
- to exhibit collections;
- to conduct research; and
- to perform all the functions normally and usually performed by a museum or a planetarium.

The Museum receives a significant portion of its funding from the Province of Manitoba. For the year ended March 31, 1991, $3,439,800 or 70.5% of the Museum's operating revenues were grants issued through the Department of Culture, Heritage and Citizenship. Other sources of operating revenue included admissions (10.5%), donations (6.1%), the Government of Canada (3.8%), gift shop sales (3.4%), and fund raising (3%).

The Museum is directed by a Board of Governors composed of 10 people elected from the Museum's membership and 10 people who are appointed by the Lieutenant Governor in Council. These people are volunteers who devote significant amounts of time and energy to the Museum. The Museum has a full time staff of 72, a part time staff of 25 and 140 volunteers. The Museum's Board, management, staff and volunteers make a valued contribution towards the preservation of Manitoba's heritage. We wish to acknowledge this and to thank the Board, management and staff for their cooperation and assistance during our inspection audit.

Objectives and Scope

We carried out an inspection audit under the authority of Section 17(4) of The Provincial Auditor's Act. Our objectives were:

- to review management practices to determine whether the Museum, significantly funded by public monies, was properly organized and had adequate systems, policies, procedures and practices in place to ensure the accountability and protection of public monies; and

- to determine whether the Museum was complying with its Legislative authorities.

Our audit objectives did not include evaluation of the Museum's programs. Rather, we reviewed management practices to determine whether management was adequately evaluating its programs.

Our audit was conducted on a current basis. The audit included interviews with the President of the Board of Governors and key officials, and a review and analysis of pertinent documentation. We compared the Museum's management practices to those recommended in the Province's Management Practices Guide.

Our examination was carried out in accordance with public sector auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Observations and Recommendations

In our opinion the Museum is appropriately organized and has adequate systems, policies, procedures and practices in place to ensure the accountability and protection of public funds. Generally, the Museum has well developed planning, organizing, controlling, reporting and evaluating functions. The Board and management of the Museum have adopted a participative management style involving open communication throughout the organization. This style contributes to the effectiveness of the Museum's management practices. Although we consider the Museum's management practices to be generally appropriate, we noted certain opportunities for improvement.

1. Planning

Planning is a fundamental and important task of management. It provides the framework to guide an organization's activities. A proactive, complete planning process involves strategic planning, mid-term planning, resource allocation and operational planning.

The Museum has a generally well developed planning process. The Museum has a role and mission statement which is based on the Act. The Museum's strategic plan is developed from the role and mission statement. The strategic plan is built upon a comprehensive needs assessment and is reviewed and updated by the Board annually. Major strategies are identified and objectives are set under each strategy. The plan is documented and distributed to the Board, management and all supervisors. The Museum refines its strategic plan through the development of a five year plan. The five year plan establishes decision points and timing for

implementation of the strategic initiatives. As with the strategic plan, the five year plan is reviewed and updated annually by the Board.

Although the Museum has a generally well developed planning process, we did note one aspect of planning which should be improved.

Development of operational plans is the next step in the Museum's planning cycle. Annually, the Museum prepares a program plan and budget plan. The program plan provides a narrative of each of the activities planned in support of strategic initiatives. The program plan is a further refinement of the strategic and five year plans. Its companion document, the budget plan, provides a breakdown of the program plan into expenditure and revenue categories. The program and budget plans should be improved by priorizing objectives. This would ease the decision making process in the event of budget constraints part way through the year. If objectives are not priorized, budget adjustments may be made which do not properly reflect the Museum's goals.

We recommend that the Museum priorize its objectives in its operational plans.

Comments of Officials

The Executive Director agrees with the recommendation. Implementation will require priorization of the strategic and five year plan objectives and will take one full planning cycle (i.e., one year) to complete.

2. Organizing/Documentation

Organizing is the management process which helps to ensure that staff interact, communicate and participate in the operations and processes which allow an organization to achieve its objectives and perform effectively. In order for an organization to effectively manage any aspect of its operations, it must be properly organized and staffed. Effective organizing would encompass an organizational structure that clearly establishes reporting relationships and responsibility areas, the establishment of documentation standards and appropriate personnel policies and practices.

The Museum has reorganized over the past three years in order to cope with financial constraints. The Museum found it necessary to significantly reduce its staffing levels and to reorganize its operating divisions and reporting relationships. The Museum's current organization structure, reporting relationships and responsibility areas are clear and appropriate.

The Museum maintains a Policy and Procedure Manual which is available to all staff. It includes policy, procedures and guidelines respecting Museum operations. We noted certain policies which should be reviewed, and several instances where existing practice should be documented as policy in the manual. Lack of

documentation of policies or inappropriate policies can lead to confusion, hinder compliance and provide inadequate orientation to staff.

Those areas which came to our attention are outlined below.

a. Policy Review

We noted that the Museum does not regularly review and evaluate its policies. Existing policies, some of which are 10 years old, should be reviewed periodically to ensure that they are still appropriate. Circumstances may have changed such that a revised policy is required. Without periodic review the Museum may be put into a position of applying a policy which is no longer appropriate or revising a policy to suit the circumstances.

We recommend that the Museum consider a policy which requires the periodic evaluation of existing policies.

Comments of Officials

The Executive Director agrees that Museum policies are reviewed or new policies developed in response to specific needs, problems, or issues. The Executive Director agrees with the recommendation and will consider an appropriate time frame for the periodic reviews.

b. Accounting Policy - Vacation Pay

The Museum's significant accounting policies require the recording of vacation pay as an expense when paid. The accrual basis of accounting is a generally accepted accounting principle and the Museum uses the accrual basis of accounting for its operations. The accrual basis of accounting recognizes the effect of transactions and events in the period in which they occur, regardless of whether there has been a receipt or payment of cash or its equivalent. In this case, using accrual accounting, vacation credits should be accounted for when they are earned. Vacation pay has not been considered material to the fair presentation of the Museum's financial statements.

We recommend that the Museum reconsider its accounting policy. In order to appropriately account for full program costs and accurately reflect program results, vacation pay should be matched to the period in which it is earned.

Comments of Officials

The Museum modified its former practice of accruing vacation credits in the fiscal year ended March 31, 1989, in an effort to provide greater clarity in its financial statements and in response to funders' comments which suggested that vacation accrual was, in fact, a hidden surplus. This deviation from generally accepted

accounting principles is explained in the notes to the annual financial statements and has not been an issue with the Museum's auditors.

Further Audit Comment

We consider vacation pay to be similar to pension costs and severance pay. Using the accrual basis of accounting these types of expenses should be recognized in the period in which the related benefit has been earned.

c. Personnel Policies

The Museum has personnel policies in its policy manual. However, certain aspects of the policies are not being enforced and others may no longer be relevant.

i. Performance Appraisals

We noted that the Museum's current performance management system should be improved. While the system requires regular performance appraisals of all staff, we noted that this is not being done. The system also does not include monitoring to ensure that performance appraisals are completed regularly or at all. Regular performance appraisals are key to an effective performance management system. Without regular performance appraisals staff do not get recognition for having done things well and may not be aware of areas requiring improvement.

We recommend that the Museum require regular performance appraisals and monitor to ensure that they are completed on a timely basis.

Comments of Officials

The Executive Director agrees with the recommendation. The Museum has been developing a new performance appraisal system over the past six months. The system will be implemented in March, 1992. The former system did not meet the needs and requirements of the Museum and, therefore, was not followed consistently by all departments.

ii) Merit Increments

We noted that the Museum awards merit increments automatically, that is, they are not tied to satisfactory performance. The current collective agreement embodies the principle that an employee's salary should increase in relation to the increase in the employee's skill and experience through the passage of time. This principle should not be interpreted to guarantee a merit increase by length of service. Merit increments should only be awarded for satisfactory performance as evidenced by an appropriate performance appraisal. The collective agreement also provides that the Museum may withhold an employee's merit increase for reasons of unsatisfactory performance. Current practise rewards satisfactory and

unsatisfactory performance equally. The situation has occurred at least partially because the Museum does not require regular performance appraisals.

We recommend that merit increments be awarded for satisfactory performance and withheld for unsatisfactory performance, as supported by the appropriate performance appraisal.

Comments of Officials

The Executive Director concurs with the recommendation. The principle of tying merit increments to satisfactory performance will be introduced once the museum has a satisfactory method of documenting and assessing performance.

iii) Authorization of Overtime

The Museum has a policy which requires overtime work to be authorized in advance. We noted an instance where overtime was not authorized in advance contrary to the policy requirement. We also noted an instance where overtime had been authorized by the employee incurring the overtime rather than by the employee's supervisor. Authorization is an important internal control to ensure that overtime is legitimate and appropriate. Overtime is paid at premium rates. Unauthorized or inappropriate overtime may not be cost-beneficial to the Museum. The Museum should not recognize overtime claims unless they have been appropriately authorized.

We recommend that the Museum review its policy regarding the authorization of overtime. If the policy is considered appropriate, we recommend that it be enforced.

Comments of Officials

The Executive Director has reminded the Personnel Office of the existing policy and the correct authorization procedure.

iv) Accumulation of Overtime Credits

The Museum has a policy which places limits on the amount of overtime and vacation credits that may be accumulated by an employee. During our review of the Museum's records we noted five instances where staff have accumulated overtime credits which exceed the policy limit. In one of these instances the staff member's vacation credits also exceeded the policy limit such that the employee's total entitlement was approximately 19 weeks. The Museum's policy of limiting the accumulation of unused overtime and vacation credits is appropriate. However, the Museum must enforce this policy if it is to avoid disruption of its operations caused by the extended leave of a key employee or the financial impact of a large payout.

We recommend that the Museum enforce its policy limiting the accumulation of unused overtime and vacation credits.

Comments of Officials

The Executive Director stated that the existing policy was developed in response to the accumulations which had been noted by management prior to the audit. The policy is being enforced, however, it will take a significant period of time to address the problem of the current accumulations. Each of the staff in question has provided a plan for reducing the accumulated overtime/vacation credits. These plans were developed some months ago, filed with the Personnel Officer and are being monitored by the Personnel Officer and the employee's supervisor.

v) Training and Development

The Museum does not have an effective staff training and development program. The Museum has a policy regarding staff training and development which is based on employee requirements as determined through the performance appraisal system. As previously noted, performance appraisals are not being performed regularly for all staff and consequently training and development requirements are not being identified and addressed. Training and development is a critical aspect of human resource management. Improved job-related skills can result in improved productivity. Training can also be a means of increasing employee morale. Both the Museum and its staff could benefit from an effective training and development program.

We recommend that the Museum develop an effective staff training and development program.

Comments of Officials

The Executive Director acknowledges the need for a longer-term staff training and development plan. The Museum is awaiting a response to a federal funding proposal submitted October 15, 1991. The funding proposal is a request for support for a three-phase project as follows:

- the development of a long-term staffing plan;
- a skills audit of existing employees; and
- the development of a staff training plan based on the above and on the Museum's strategic plan.

d. Conflict of Interest

The Museum does not have a formal conflict of interest policy covering all staff and volunteers. Board by-law #2 provides conflict of interest guidelines for the Board and its members, and the Museum's fee-for-service policy includes conflict of

interest provisions for staff involved in fee-for-service work. The Museum may be exposing itself to unnecessary risks because it does not have a conflict of interest policy which covers all staff and volunteers. It would be preferable to have a policy which clearly covers all individuals working on behalf of the Museum. By stating clearly the standards of conduct expected, such a policy serves as a preventative measure so that persons do not inadvertently place themselves in a position of conflict.

The existing conflict of interest provisions also do not include a requirement for annual written declaration of actual or potential conflict of interest situations. Each staff or Board member or other volunteer should be required to prepare a written declaration annually. Such a practice requires individuals to consider their particular situations and may help to avoid potential conflict of interest situations. Without annual written declarations, the Museum may only become aware of conflict of interest situations at a late date.

We recommend that the Museum develop conflict of interest guidelines to cover all staff and volunteers. We also recommend that these guidelines require staff and volunteers to provide annual written declarations of actual or potential conflict of interest situations.

Comments of Officials

The Executive Director stated that professional codes of ethics published by the Canadian Museums Association and by the International Council of Museums govern each of the professions within the Museum. Conflict of interest is addressed in these codes. Specific Museum policies exist for the two primary potential problem areas - independent fee-for-service work undertaken by employees on their own time and staff developing personal collections in areas that are a focus of the Museum's collections. The Executive Director is not aware of any other areas of potential difficulty which have not been addressed in these documents or the Museum's bylaws.

The Executive Director will investigate further the concept of annual written declarations by Board members, staff and volunteers to determine whether it would provide an added benefit to the Museum.

Further Audit Comment

We continue to recommend development of a comprehensive conflict of interest policy which covers all staff and volunteers. This policy should reference the codes of ethics covering the Museum's professional employees.

e. Documentation of Policies

We noted areas where the Museum has policies which are not documented in its policy manual:

- there is no documented policy or procedure regarding planning and budget preparation;
- no written policy exists for cash management and the investment of funds;
- the Museum has a policy that 10% of undesignated donations be deposited to the Foundation Fund. This is documented only in the Board minutes and is not found in the policy manual;
- the Museum has a policy of tendering for banking, insurance and auditing services periodically. This is not documented in its policy manual;
- the Museum places limits on the amounts of overtime and vacation credits which may be accumulated. The limit on vacation credits is set by the collective agreement. However, the policy manual does not include a policy which limits the accumulation of overtime and vacation credits; and
- the Museum's accounting policies are documented in the annual report but not in the policy manual.

If policies are not adequately documented they tend to be regarded as current practice and may not be followed in the future. It is important that policies be documented in the policy manual for the guidance of the Board and staff and to provide for easy reference.

We recommend that the Museum document all significant policies in its policy manual.

Comments of Officials

The Executive Director stated that the policies listed are a matter of record in the Board minutes and can be summarized for inclusion in the policy and procedures manual. The Executive Director recognizes the importance of this to ensure continuity and future compliance.

3. Reporting and Controlling

Management reporting systems are critical to the effectiveness of decision making and control within an organization. Factors such as quality, timeliness, quantity and relevance must all be carefully considered in setting up a management reporting system which will provide management of the organization with the right information at the right time.

Once plans have been developed and communicated, resources organized, and management reporting systems established, an organization's managers can apply management control techniques to guide the organization towards achieving its

objectives. Effective management control can only be achieved when actual results can be compared to planned results and analyzed for causes of any deviations so that necessary corrective actions may be initiated.

The Museum's management reporting system involves regular management and Board meetings and timely financial reports. The Board, its sub-committees, and the Museum's management team meet regularly. Meeting minutes are kept and appropriately distributed. Management prepares monthly financial reports which include comparison to budget and variance analysis. The reports are timely and enable the management team and the Board to take quick corrective action where unfavourable variances have been identified. The Museum's reporting and controlling systems are appropriate.

4. Evaluating

Evaluating involves reviewing past activities relative to the overall mission of the organization. Programs are evaluated against specific operational objectives and measured against the effort and resources expended. The evaluating process provides the opportunity to measure operational efficiency and effectiveness, highlighting management's accountability for results.

The Museum has an appropriate process of program evaluation. Programs are evaluated regularly and feedback is provided for the planning process.

5. Compliance with Authority

The Museum was created under The Museum of Man and Nature Act. Based on our audit, the Museum is complying in all significant respects with the mandatory requirements of this Act. We noted however, that responsibility for monitoring compliance with this and other Acts has not been assigned to give management and the Board assurance that compliance requirements are being met.

We recommend that the Museum assign responsibility for monitoring compliance with legislation.

Comments of Officials

The Executive Director acknowledges the possible importance of this matter but is satisfied that management is aware of changes in legislation. The Executive Director stated that a formal monitoring of legislative changes is beyond the Museum's administrative abilities. The Executive Director will seek the Department of Culture, Heritage and Citizenship's assistance in keeping the Museum aware of future changes in legislation.

February 3, 1992

The Manitoba Sports Federation

Introduction

The Manitoba Sports Federation (Federation) was incorporated on July 21, 1970 as a not-for-profit organization under a special act of the Legislature of Manitoba for the purpose of promoting and developing amateur sport in the Province of Manitoba. The Federation employs 42 staff and represents 96 sport organizations including Provincial sport governing bodies, regional sport associations and universities. It is governed by an 18 member volunteer Board of Directors, elected by the membership at the annual general meeting.

The Federation receives its funding from the Province of Manitoba and acts as an umbrella organization for allocating funding from the Province to various amateur sport organizations. On June 14, 1991 the Province and the Federation entered into a new funding and accountability agreement covering the period July 1, 1991 to March 31, 1995.

Objectives and Scope

We carried out an inspection audit of the Federation under the authority of section 17(4) of The Provincial Auditor's Act. Our objectives were:

- to provide independent objective assurance to the Legislative Assembly and the Government that organizations whose operations are funded, to some extent, by public monies are properly organized and have adequate systems, procedures and practices in place to ensure accountability and protection of public funds, and

- to determine that an appropriate extent of monitoring of grant accountability is performed by the granting organization.

Our audit was designed to determine whether the Federation has adequate policies and procedures for disbursing its grants and for managing the investment of its surplus funds. Our audit was also designed to determine whether the Federation has an appropriate grant accountability system for monitoring the grants made to the various sport organizations.

Our audit objectives did not include an evaluation of the Federation's programs. Rather, we reviewed management practices to determine whether management was in a position to adequately evaluate its programs.

Our audit was conducted in accordance with public sector auditing standards and accordingly included such tests and other procedures as we considered necessary in the

circumstances. Our findings are based on the systems in place for the year ended March 31, 1992.

Conclusion

The Federation has adequate policies and procedures for disbursing its grants and for managing the investment of its surplus funds. The Federation also is developing an appropriate framework for the grant accountability system. However, we noted opportunities for improvement in the grant accountability system. The observations relate to the need to:

- improve the documentation for priorizing and allocating grants,
- follow established policies and procedures for monitoring grants, and
- fully implement planned improvements in the Federation's grant accountability process.

Our observations and recommendations are set out below.

Observations and Recommendations

Cash Management System

The Federation has a formal cash flow and investment policy. The policy objectives are to maintain a cash flow analysis and, through prudent investment of surplus funds, achieve the maximum investment return. The procedures require that a 15 to 18 month cash flow analysis and investment plan be maintained and updated monthly. A listing of approved investment instruments is maintained and all investments are administered by an investment sub-committee of the Finance and Administration Committee.

Our audit indicated that the policy and procedures are appropriate and being followed. We concluded that the Federation has adequate policies and procedures in place for disbursing grants and for investment of its surplus funds.

Grant Accountability

A grant accountability system should encompass specific criteria to priorize applications and allocate funds, and should set conditions, assign responsibility for monitoring and establish procedures to evaluate the effectiveness of the grants. Our audit identified opportunities where the Federation's grant accountability system could be improved. These are discussed in the following sections.

Application/Allocation Process

The Federation has established specific criteria for priorizing applications and allocating grants. Grants are allocated on the basis of the number of points earned based on a

predetermined sports profile. Each applicant completes the sports profile and is given a "score" based on the information provided. The process works reasonably well. In particular, it provides a means of documenting that the process is fair and equitable to all applicants. However, the file documentation of the scoring process could be improved.

Each application is scored independently by two people. The individual scores are then compared and a consensus reached. Scoring, although based on established criteria, can be somewhat subjective. Our audit indicated that the rationale used in determining the final score could not always be ascertained from the documentation contained in the individual files.

In certain instances, scores were revised when the two independent scores were compared, but the rationale for the final score was not evident in the file. In other instances, exceptions granted to the predetermined criteria resulted in higher scores, but the reasons and rationale for allowing the exceptions were not apparent in the file. In still other instances, changes were made in the initial scoring as a result of subsequent discussions at a review meeting with the applicant, but the file documentation was not amended.

It is important that the scoring process be adequately documented. The files should clearly indicate the rationale for determining the final scores so that an appropriate management trail is maintained for the decisions concerning the application. This documentation assists the Federation in demonstrating that all applications have been given fair and equitable consideration.

We recommend the Federation improve the file documentation of the scoring process.

Comments of Officials

The Federation's grants committee concur with the recommendation to improve the file documentation of the scoring process and have implemented steps to improve file retention of the process. In particular, all notes from the Review/Appeal meetings will be kept and a summary "docket" of all changes, reasons for the change and names of the persons involved in these decisions will be attached to each file.

Monitoring Process

The Federation has established a specific policy regarding the submission of audited financial statements. This policy is an important element of its monitoring process. However, our audit indicated the policy was not being followed.

Under the Master Funding agreement with the Province, the Federation is responsible for the financial accountability of the funds it disburses to the sport organizations. The Federation policy requires each organization to submit an audited financial statement within 90 days of the year end or submit an explanation in writing in the event the deadline can not be met.

We noted that although financial statements were being submitted, many were not submitted within the specified time frames and rarely were written explanations provided in accordance with the established policy.

Timely receipt of audited financial statements is an important element of the grant accountability cycle. The monitoring process enables management to determine, at an early stage, whether established milestones have been missed so that potential problems can be identified and corrective actions taken on a timely basis.

We recommend the Federation take action to ensure that its policy concerning the submission of financial statements is being followed, or amend the policy.

Comments of Officials

We agree with the recommendation. We have been accepting verbal explanations from our members when they could not meet the 90 day after year end deadline for submission of audited financial statements. We will only accept written explanations in the future. Also, we are reviewing our timeframe and using the Government's procedure as a guideline, may extend the period to 120 days.

Evaluation Process

Under the Master Funding agreement with the Province, the Federation is responsible for the financial accountability of the funds it disburses to the sport organizations. To ensure that grant funds are expended in accordance with its expenditure policy, the Federation requires that all organizations be reviewed on a cyclical basis. However, this process was not fully implemented for the year ended March 31, 1992.

The points earned in the sports profile allocation process are based, in large part, on information provided by the sport organizations. This information, by necessity, is taken largely at face value during the allocation process. A subsequent verification that the original information was bona fide and that expenditures were made for the purposes intended is an important element of the grant accountability cycle. This is addressed through the Federation's review of the organizations. Unfortunately, mostly due to a staff vacancy, only 2 reviews out of the planned 30 reviews were completed during the 1991/92 fiscal year.

A separate monitoring committee has been established to manage the review function. However, the monitoring committee does not have an adequate information and reporting process in place to monitor the review function. The monitoring committee needs to re-assess its process. The committee needs to establish specific objectives for the monitoring process, identify key results indicators, implement procedures to meet the objectives and assign responsibility to perform the procedures. Lastly, it needs to establish a reporting structure with appropriate reporting milestones so that it can evaluate the adequacy and relevance of the objectives, procedures and results of the monitoring process.

We recommend the Federation, through the monitoring committee, fully implement appropriate systems and procedures for its evaluation process as soon as possible.

Comments of Officials

We agree with the recommendation and believe the evaluation process administered by our Monitoring Committee to be an extremely important part of our system. We are presently hiring a new Finance Officer to carry out the objectives of the Monitoring Committee. We are in the process of evaluating, in conjunction with a Task Force which is reporting directly to the Federation executive, the adequacy and relevance of our monitoring process.

August 5, 1992

The Winnipeg Art Gallery

Introduction

The Winnipeg Art Gallery (the Gallery) was incorporated under The Winnipeg Art Gallery Incorporation Act assented to May 6, 1963. Section 2(1) of this Act lists the purposes and objects of the Gallery to be:

"(a) to promote and cultivate the fine and applied arts and to establish and maintain an art gallery, and collections and exhibitions of paintings, sculpture, engravings, and other works of art, and an art library;

(b) to conduct exhibits of pictures and other objects of art from time to time;

(c) from time to time to preserve and exhibit in suitable manner such pictures and other works of art as may be secured by the gallery from time to time;

(d) to facilitate the education and training of those desirous of applying themselves to art studies from time to time; and

(e) generally to encourage, promote and further art in all its branches within Manitoba."

For the year ended March 31, 1991, the Gallery received $2,505,516 or 57% of its total revenues through grants from the three levels of government. Of this amount, $1,725,385 was received from the Province of Manitoba through the Department of Culture, Heritage and Citizenship. Other sources of revenue for the Gallery include food services, Volunteer Committee activities, donations and fund raising activities.

The Gallery is directed by a Board of Governors (the Board). The Board consists of 30 persons elected by the membership, the President of the Volunteer Committee, the Gallery Director, one person representing the City of Winnipeg and one person appointed by the Lieutenant Governor in Council. The Gallery has 45 full time staff, 36 part time staff and approximately 150 to 200 active volunteers. The Board, management, staff and volunteers are dedicated individuals who contribute considerable time and effort toward fulfilment of the Gallery's mission.

Officials advised us of the following factors that create the environment existing at the Gallery:

- "The planning policies and operating systems in use at the Winnipeg Art Gallery have been created over the past five years. Previously, no formal guidance was in place;

- One of the most greatly valued aspects of working within an art gallery or having associated dealings with an art gallery, is its effectiveness without inhibiting bureaucracy. A flexible, creative environment is paramount for the production and delivery of artistic programs;

- Managerial staff are also responsible for professional creation of programs and their delivery. The administrative aspects which have been audited are only a part of the job required and do not reflect the excellence or professionalism demanded of these individuals; and

- The Gallery has limited resources and priority of the Gallery is to deliver an expansive public program of the highest quality, and secondarily, to administer that delivery using the best means possible."

The observations and recommendations in this report were made with a recognition of the environment within which the Gallery operates.

Objectives and Scope

We carried out an inspection audit of the Gallery under the authority of Section 17(4) of The Provincial Auditor's Act. The audit was conducted during November and December 1991. Our objectives were:

- to determine whether the Gallery, significantly funded by public monies, had adequate systems, policies, procedures and management practices in place to ensure the accountability and protection of public funds, and

- to determine whether the Gallery was complying with its Legislative and related authorities.

Our audit objectives did not include an evaluation of the Gallery's programs. Rather, we reviewed management practices to determine whether management was adequately evaluating its programs.

The audit included interviews with the President of the Board of Governors, the President of the Volunteer Committee, key Gallery officials, and a review and analysis of pertinent documentation. We compared the Gallery's management practices to recommendations in the Province's Management Practices Guide.

Our examination was carried out in accordance with public sector auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Conclusion

The Gallery has undertaken a number of very constructive actions to strengthen its management practices over the past few years, including:

- a review of Board governance by a Board Ad Hoc committee,
- the use of a management consultant to assist the Gallery to develop and implement a planning process,
- the development of a new personnel policy, and
- the implementation of a formal evaluation process for several of its programs.

In our opinion the Gallery has generally adequate systems, policies, procedures and management practices in place to ensure the accountability and protection of public funds. However, we noted certain opportunities for the Gallery to continue to improve its policies, and strengthen its systems and management practices. Several of these opportunities were addressed to various extents in the Ad Hoc committee's report. The opportunities relate to planning, documentation of administrative and personnel policies, financial reporting and program evaluation.

In our opinion, the Gallery has complied in all significant respects with the provisions of its legislative authorities. We noted, however, that the Gallery's bylaws should be reviewed and updated as the structure and functional activities of certain Board standing committees do not correspond to those provided for in the bylaws. The Gallery subsequently amended its bylaws, including amendments to resolve this matter, and will present a new bylaw for approval at the Gallery's annual general meeting.

Our observations and recommendations for improvement, together with comments of officials, are set out below.

Observations and Recommendations

Report of Ad Hoc Committee

During our audit, we noted that in 1988 the Board established an Ad Hoc Committee to study recommendations on Board governance which had been put forth by the Board's membership committee. The Ad Hoc Committee subsequently issued a report making a number of recommendations on the issue of Board governance. Although the Board has taken action on certain recommendations, several still need to be addressed. The recommendations requiring attention are set out below.

The committee recommended:

The Board of Governor's primary responsibilities:

> "that a formal Board review process (including review of composition, organization and responsibilities of the Board) be adopted and that a committee be struck to establish a process."
>
> "an enhancement of the current monitoring system to tie short-term goals into long-range planning."
>
> "a formal annual capital budget presentation to the Finance Committee and the Board for approval prior to submission to the various funding bodies."
>
> "completion of the conflict of interest review and presentation to the Board for approval."

Board Size:

> "a reduction in the Board to 24 elected, active members with 3 outside appointees for a total of 27."

Volunteer Committee:

> "...that a group be formed to study the role of the Volunteer Committee in the future plans of the Gallery."

We recommend that the Board ensure that these recommendations are appropriately addressed.

Comments of Officials

In order to confirm the effectiveness and practicality of implementation and formal

entrenchment of the proposals put forth by the Ad Hoc Committee, the Board chose to practice the recommendations over a trial period of two years. A committee was established to review and amend the Gallery's Bylaw prior to commencement of the Provincial Audit. Currently, all recommendations for Board reorganization have been concluded through the Bylaw revision process, or have been referred to the Executive Committee for further refinement. All recommended planning or monitoring systems have been initiated.

With specific reference to excerpted sections of the ad hoc committee report, the following information is provided:

Formal Board Review Process:

The establishment of a committee to address this issue is on the agenda for the 1992/93 year, with implementation of recommendations to commence in 1993/94.

Monitoring System:

A Program Planning and Assessment methodology, which will formalize current practice and provide a comprehensive and consistent format for documentation, is currently in the final stages of development, to be fully operational during the 1993/94 fiscal year.

Annualized Capital Budget:

Annual Capital Needs are identified and priorized, and budget estimates detailed as part of the Annual Financial Plan, which is approved by the Board. Capital undertakings are, by definition, long term in nature and the extensive time frame of grant application and response for the funding of such initiatives inhibits annualization of the process.

Conflict of Interest:

Conflict of Interest is addressed in the Bylaws, in existing policies as applicable and in the Personnel Policy. Professional staff abide by statements of ethics issued by the International Council of Museums, the Art Museums Directors Association and the Conservators Association. A further refinement and articulation of a Conflict of Interest Policy, to include Governors and volunteers, will be undertaken during the 1993/94 year, for implementation by 1994/95.

Board Size:

This matter has been reviewed and concluded as part of the Bylaw amendment.

Volunteer Committee:

A committee of the Board will be established to study the role of the Volunteer Committee.

Planning

Planning is a fundamental task of management. It provides the framework to guide an organization's activities. A proactive, complete planning process involves strategic planning, mid-term planning, resource allocation and operational planning.

The Gallery has initiated a new planning process. It is using the services of a management consultant to assist in a planning process which involves participation of all levels of Gallery staff. The involvement of staff in the development of the Gallery's long-term plan provides them with knowledge of the Gallery's mission and a sense of ownership of Gallery goals. We consider this to be a positive initiative. We noted the following opportunities, however, to improve the planning process:

1) Strategic and Mid-term Planning

The Gallery recently developed a revised role and mission statement and is continuing to develop its planning process. Strategic planning is a process by which an organization sets long-range objectives, and organizes to carry out these objectives. Mid-term planning is a refinement of the strategic plan and is primarily policy and program oriented. The mid-term plan is designed to assess program options and to establish program priorities to guide the allocation of resources and the subsequent preparation of operational plans.

During our audit we noted that the Gallery's strategic and mid-term plans are not separated. The Gallery's "Long Term Plan", currently being developed, encompasses aspects of both strategic and mid-term planning. Separation of strategic and mid-term planning emphasizes strategic thinking and reduces the risk of limiting the future of the organization to a series of extrapolations of the present.

We recommend that the Gallery separate its strategic and mid-term planning.

Comments of Officials

The refinement of the Gallery's strategic and multi-year plans is ongoing.

2) Planning Priorities

We noted an opportunity for the Gallery to strengthen its planning process by priorizing its objectives. Objectives should be priorized at the mid-term or operational budget stages. Priorization assists in the decision making process and in resource allocation and, in the event of budget constraints, helps ensure that budget adjustments are made that reflect the overall goals of the Gallery.

We recommend that the Gallery priorize its planned objectives.

Comments of Officials

The five over-arching goals are of equal importance in driving the institution. The multi-year plan will priorize objectives within those five goals.

3) Operating Budget

Separate budgets are prepared for the operating fund activities and the Volunteer Fund activities. These budgets are not combined into an annual budget covering the Gallery's complete operations.

The Volunteer Committee is a Board standing committee which has delegated authority for operations of the Gift Shop/Inside Gallery, Art Rental and Sales operations and for fund raising activities. It utilizes Gallery resources, including staff, and prepares a budget which is separate from the budget for the remainder of the Gallery. Although separate budgets are used, financial results are combined in the Gallery's annual financial statements.

The Gallery's Board has ultimate responsibility over all of the Gallery's operations. It should establish the operating budget for all aspects of the Gallery's operations and ensure that the financial reporting system provides the information needed to monitor the use of financial resources. Control over Gallery operations would be improved by combining the two separate budgets to enable an overall monitoring of the Gallery's complete operations.

We recommend that the Gallery prepare an operating budget that covers all aspects of the Gallery's operations.

Comments of Officials

The Volunteer Committee has a long history of independence validated by the Board of Governors. A committee of the Board will be established to examine the relationship and activity of the Volunteer Committee to Gallery operations.

Organizing/Documentation

Organizing is the management process that helps to ensure staff interact, communicate and participate in the operations and processes that allow an organization to achieve its objectives and perform effectively. In order for an organization to effectively manage any aspect of its operations, it must be properly organized. Effective organizing encompasses an organizational structure that clearly establishes reporting relationships and responsibility areas, the establishment of documentation standards and appropriate personnel policies and practices.

1) Board Governance

a) Bylaws

Bylaws are rules to guide the Board in regulating its affairs. We noted that the Gallery's bylaws require updating as the structure and functional activities of certain Board standing committees do not correspond to those provided in the bylaws. This inhibits the usefulness of the present bylaws.

The Governing Board is organized according to the Gallery's Bylaw #7. The roles, responsibilities and composition of the Board's standing committees are also set down in this bylaw. We reviewed this bylaw and the Board's current structure and noted:

- certain standing committees exist which are not provided for in the bylaw,
- certain standing committees provided for in the bylaw do not exist, and
- the current Finance Committee terms of reference do not match those set down in the bylaw.

Gallery Bylaw #7 also provides terms of reference for the Volunteer Committee which is a standing committee of the Board. This Bylaw provides, among other things, that the Volunteer Committee may pass its own bylaws. The Volunteer Committee is the only standing committee which has its own bylaws. The need for a separate set of bylaws for one of the Board's standing committees is not clear. Two sets of bylaws may add to the complexity of the rules guiding the operations and to the organizational relationships. The structure and organization of the Board could be simplified if the Gallery had only one set of bylaws.

The Gallery convened a Bylaw Review Committee which recommended a revised bylaw. The revised bylaw includes amendments which address our observations. The Board approved the revised bylaw and will present it for approval at the Gallery's annual general meeting. Approval of the revised bylaw will resolve this matter.

Comments of Officials

A committee of the Board was established to review and amend the Gallery's Bylaw prior to commencement of the Provincial Audit. The resulting Bylaw revision was approved by the Board of Governors on June 24, 1992 and will be placed before the members for ratification at the Annual Meeting of August 25, 1992. The revision addresses the observations of the Provincial Auditor and resolves a number of other matters which were of a concern to the institution.

2) Policy Development/Documentation

a) Administrative Policies

Established written policies provide Board members and management with the clear guidance needed to do their jobs in an efficient, effective and consistent manner. The Gallery has well developed collections, conservation, interpretive services and public relations policies. We noted opportunities, however, to further develop certain aspects of the administrative policies. These include opportunities to:

- further develop the existing conflict of interest policy covering all staff, volunteers and Board members to provide a more clearly defined basis for reporting, monitoring and making decisions concerning any matters relating to potential conflicts of interest;

- develop a policy for the annual review of the planning process,

- further develop the existing cash management policy to cover cash flows and the investment of funds for all aspects of the Gallery's operations,

- develop a policy for the review and selection of professional services such as audit, banking, legal, and insurance services, and,

- develop a purchasing policy requiring tendering for significant purchases.

We recommend that the Gallery consider developing policies in the areas suggested.

Comments of Officials

Conflict of Interest is addressed in the Bylaws, in existing policies as applicable and in the Personnel Policy. Professional staff abide by statements of ethics issued by the International Council of Museums, the Art Museums Directors Association and the Conservators Association. A further refinement and articulation of a Conflict of Interest Policy will be undertaken during the 1993/94 year, for implementation by 1994/95, to include Governors and volunteers.

With reference to the other cited administrative matters, established methodologies are standard practice and the development of a formal policy document has not been a critical priority. An Administrative Systems Policy will be researched and articulated, as personnel resources become available to dedicate to the task, during the 1993/94 year.

b) **Personnel Policies**

i) Policy Development

Personnel policies assist management in understanding personnel functions and serve as a working tool to enable personnel staff to understand and carry out specific personnel matters consistently.

The Gallery has developed a new personnel policy to replace an outdated policy. We were advised that, although the new policy has not yet been formally adopted, the Gallery is following this policy. The new personnel policy is a significant improvement over the Gallery's former policy.

We reviewed the new personnel policy and noted some additional areas where policy guidance could be provided. Consideration should be given to including policies covering:

- performance appraisals,
- management benefits,
- grievance or dismissal of management,
- a regular review of position descriptions, and
- the criteria for awarding or withholding salary increments.

We recommend that the Gallery consider including the above mentioned matters in its new personnel policy.

Comments of Officials

The Personnel Policy has been reviewed by the Gallery's legal counsel for compliance with the Gallery's labour contract and with provincial legislation, and to ensure the legal rights and responsibilities of all employees are clearly established. The Gallery's solicitor has suggested modest amendment and, with the auditor's recommended adjustments, the document will be ratified by the Board in the 1992/93 year.

ii) Performance Management

The Gallery introduced performance evaluations for staff in June 1991. This implemented an important process into the Gallery's performance management system. An effective performance management system contributes to staff satisfaction, productivity and development. Staff receive recognition for having done things well and are made aware of areas requiring improvement. An effective performance management system requires current job descriptions,

documented objectives, and regular documented performance evaluations which also address training needs.

The following observations were noted during our discussions with officials and review of personnel files:

- officials advised us that job descriptions are regularly reviewed and are current. However, the review is not documented,
- performance objectives, against which an employee can be evaluated, are not set at the beginning of the year,
- performance evaluations have not been regularly prepared for all staff members. Only three of the eight personnel files reviewed contained documented performance evaluations, and
- performance evaluations for management positions do not include documentation of training requirements.

We recommend that the Gallery continue to strengthen its performance management system by including a section on the job descriptions to record the date and the signature of the official acknowledging the review of the job descriptions, setting objectives for staff performance and regularly preparing performance evaluations which address training needs for all staff members.

Comments of Officials

Performance evaluations for staff were introduced in June 1991. The performance appraisals placed in the personnel files reflect the initial efforts at performance management. The Gallery will continue to strengthen its performance management systems and will implement recommendations as appropriate and practical. Performance management training for management and supervisory personnel is ongoing.

iii) Salary Increments

Salary increments are to be granted annually in recognition of satisfactory service. The decision to grant salary increments for satisfactory performance, or withhold increments for unsatisfactory performance, should be supported by an appropriately documented performance evaluation.

We noted that this process is not utilized, as the Gallery awards salary increments without tying them to a satisfactory performance evaluation. This increases the risk that a salary increment may be

granted to a staff member who has not performed satisfactorily.

We recommend that an appropriately documented performance evaluation be prepared and utilized to support the decisions for salary increments.

Comments of Officials

Salary increments are awarded to employees in accordance with the terms and conditions of the Collective Agreement currently in place between the Gallery and its unionized employees, represented by the Manitoba Government Employees' Association. Any adjustment to the interpretation and the administration of the labour agreement will be part of the negotiation procedure and will be strategically assessed at the appropriate time. The recently initiated process of formal employee performance evaluation will be a factor of consideration in future negotiations.

iv) Staff Benefit Entitlement Records

Staff benefit entitlement records should be maintained on a current basis so that management can effectively monitor the status and utilization of staff benefits for compliance with Gallery policy. The Gallery maintains attendance records which provide source information for monitoring staff benefits. This information is transferred to ledger sheets which indicate each staff member's vacation, overtime and sick leave entitlements. We reviewed the Gallery's ledger sheets and found that they had not been updated for over eight months.

We recommend that the Gallery update its ledger sheets for vacation, overtime and sick leave entitlements.

Comments of Officials

Ledger sheets for vacation, overtime and sick leave entitlements have been updated and are now current. Twice annually, all employees are advised in writing of their entitlements and such information is available from the personnel office at any time upon request.

v) Monthly Time Reports

Monthly time reports should be reviewed and approved by a supervisor or other appropriate authority to ensure that staff are attending work as required and that overtime is appropriate.

Overtime should be authorized by the employee's supervisor and calculated according to the collective agreement where it applies.

We noted that the Gallery does not require monthly time reports to be approved by a supervisor or other appropriate authority. We found three instances where this resulted in an employee authorizing his/her own overtime and one instance where this resulted in an overtime calculation which was not in accordance with the collective agreement.

We recommend that the Gallery implement a supervisory review and approval of monthly time reports and overtime claims.

Comments of Officials

Recommendation noted and implemented as at April 1, 1992.

Reporting and Controlling

Management reporting systems are critical to the effectiveness of decision making and control within an organization. Factors such as quality, timeliness, quantity and relevance of the management information must be carefully considered in setting up a reporting system which will provide management with appropriate and timely information.

Once plans have been developed and communicated, resources organized, and management reporting systems established, an organization's managers can apply management control techniques to guide the organization towards achieving its objectives. Effective management control can only be achieved when actual results can be compared to planned results and analyzed for causes of any deviations so that necessary corrective actions may be initiated.

1) Financial Reporting

a) Financial Reports

Gallery management submits monthly financial reports to the Board. The Volunteer Committee also submits monthly financial reports to the Board. These reports reflect different aspects of Gallery operations and are prepared using different formats. Because financial data is presented in this fragmented fashion, operating results are not located in one place. The Board should not need to adjust reported results to have all of the relevant information on the Gallery's overall financial status. These reports should be consolidated into a single report so that the Board has a clear picture of the Gallery's overall financial status.

We recommend that the Gallery provide the Board with a single financial report that includes all Gallery operations.

Comments of Officials

The Board will consider this question as part of the review of the Volunteer Committee.

b) **Variance Analysis and Projections**

The financial reports provided to the Board include a balance sheet and a statement of revenue and expenditure. The revenue and expenditure statement includes annual and year to date budget information. This statement could be improved by including:

- variances between actual revenues/expenditures and budget,
- where significant variances have occurred, brief written explanations, and
- projected operating results to the year end. Projected operating results may deviate from the budget plan. As deviations become known, an updated year end financial position can be projected, providing greater accuracy than the original budget plan.

This would enhance the information provided to the Board in the financial reports and more clearly describe the Gallery's financial position. Currently the onus is on Board members to analyze the financial reports and to seek verbal explanations where required.

We recommend that the Gallery improve its revenue and expenditure statement by including variance from budget figures, brief written variance explanations for significant variances, and projections of operating results to the year end.

Comments of Officials

Revisions to the financial statement format and variance reporting procedure will be assessed during the 1992/93 year and implemented in 1993/94. Expanded quarterly reports, to include statements of variance with written explanation and projected year end operating results will be incorporated into the revised format.

2) **Cash Management**

The Gallery has developed a Cash Management policy. It was able to establish all of its bank accounts with one bank, thereby allowing all bank accounts to be included when calculating its line of credit. However, the policy and practice does

not effectively coordinate borrowing and investing activities, or cash flow requirements with Provincial funding advances.

The Volunteer Committee's cash management activities are separated from other Gallery operations. The Volunteer Committee has its own bank accounts and manages its own cash. The Committee's cash flow is generally positive. It invests surplus cash in short term investments independently of the Gallery's cash situation. Consequently, the Volunteer Committee may invest surplus cash when the Gallery is in an overdraft position.

The Gallery receives its Provincial operating grant in equal monthly instalments. However, Gallery officials advised us that the operating costs are not always consistent and, at times, the Gallery needs to obtain financing to cover a cash flow deficiency. We were advised by the Provincial representative that the cash flow has been structured in equal monthly payments at the request of the Gallery.

A more comprehensive cash management policy and practice would assist the Gallery to effectively coordinate borrowing and investing activities, and cash flow requirements with Provincial funding advances.

We recommend that the Gallery institute a cash management policy and practice which combines the cash flows of all aspects of Gallery operations. We also recommend that the Gallery communicate its cash flow needs to the Province with its funding request.

Comments of Officials

Until the relationship with the Volunteer Committee is realigned, cash flow projections will necessarily be based upon projections relative to the Gallery operating fund. The Cash Management Policy affirms that the Gallery's banking arrangement provides that "the amount of our credit line in use at any time is considered to be the net of all accounts of the Winnipeg Art Gallery, inclusive of those of the Volunteer Committee, the Gallery Shoppes and the Art Rental and Sales". A consistent and predictable payment schedule for the provincial allocation allows for the planning of discretionary expenditure and has generally met the needs of the Gallery. Ideally, the provincial grant would be disbursed in quarterly, rather than monthly instalments.

Evaluating

Evaluating is an important element of the management cycle and is closely linked to planning. Evaluating involves reviewing past activities relative to the overall mission of the organization, providing feedback for planning. The evaluating process provides the opportunity to measure operational efficiency and effectiveness, highlighting management's accountability for results. Program evaluation is the periodic and objective review and assessment of a program to determine, in current circumstances, the

adequacy and relevance of its objectives, its design and its results both intended and unintended. Issues such as the rationale for the program, its effect on the public, and its cost effectiveness compared to alternative delivery methods should all be considered.

The Gallery has taken a positive initiative in establishing its evaluation process. It has instituted a formal evaluation process for education programs, tours, studio art classes, film series, and adult programming. However, the evaluation process for large art exhibits is informal, while no evaluation is done for ongoing art displays.

All aspects of the Gallery's programming should be evaluated for continued relevance and opportunities for improvements. A formal evaluation process in all areas would assist Gallery managers in carrying out evaluations.

We recommend that the Gallery expand its formal evaluation process to cover all Gallery programs.

Comments of Officials

A Program Planning and Assessment methodology, which will formalize current practice and provide a comprehensive and consistent format for documentation, is currently in the final stages of development, to be fully operational during the 1993/94 fiscal year.

Compliance with Authority

The Winnipeg Art Gallery is incorporated under The Winnipeg Art Gallery Incorporation Act. The Gallery has passed bylaws to regulate its operations under the authority of the Act. As noted in the Bylaws section of our report, the structure and functional activities of certain Board standing committees do not correspond to those provided for in the bylaws. However, the Board subsequently approved a revised bylaw which includes amendments to resolve this matter, and will present it for approval at the Gallery's annual general meeting. Approval of the revised bylaw will resolve this matter. Based on our audit, the Gallery has complied in all other significant respects with the provisions of its legislative authorities. We noted, however, that responsibility for monitoring and reporting on compliance with this Act has not been assigned to give management and the Board assurance that compliance requirements are being met.

This may be implemented by identifying the mandatory requirements which the Gallery must fulfil under the Act and, at appropriate intervals, including a report on compliance with these requirements in management's report to the Board. Compliance with authority also should be considered when implementing fundamental changes to the Gallery's programs or operations. When such changes are considered, management should provide the Board with assurance that the change is within the authority contained in the Act.

We recommend that the Gallery assign responsibility for monitoring and reporting on compliance with legislation.

Comments of Officials

As part of the Bylaw review process, legal counsel has assessed compliance and found it satisfactory. A method of assuring ongoing compliance has been assigned within the revised Bylaw.

Other Matters

1) **Documentation of Meetings**

During our audit we noted that certain Board standing committees do not keep minutes of their meetings. The Gallery's management committee also does not keep minutes. Clear, accurate and concise minutes should be kept of all meetings to maintain documentation of committee decisions and follow up actions to be taken.

We recommend that all Board committees and the Gallery's management committee maintain meeting minutes.

We also noted that where minutes are kept, they have not been signed by the committee chairperson. The committee chairperson should sign the minutes to indicate that the minutes have been reviewed and approved by the committee and are official, accurate and complete.

We recommend that committee chairpersons sign meeting minutes after they have been reviewed and approved at a subsequent meeting.

Comments of Officials

Management team and staff meetings are often informal and convened for the purpose of information exchange. When appropriate, minutes are kept of staff meetings.

The process of examination, motion and approval of minutes at each meeting guarantees accuracy.

August 25, 1992

STATUS OF PREVIOUS RECOMMENDATIONS

REQUIRING FURTHER ATTENTION

This section summarizes the matters previously reported which require further attention. We have indicated the status of action as reported to us by those responsible for improvement. Recommendations related to certain matters have been implemented, but action is still required to address other areas. The next section of this report summarizes those matters which have been fully resolved.

The last report containing the full text of the recommendations can be found using the date and page references provided. Where the issue was originally reported to the Legislative Assembly prior to that date, the reference to the original report has also been provided.

Accountability for Government Policy Implementation

(1990 - page 27; 1989 - page 11)

RECOMMENDATIONS	STATUS OF ACTION
• The Government should consider establishing an improved accountability process with appropriate reporting and monitoring to ensure significant Government policy decisions and initiatives are appropriately implemented.	Recommendations being implemented. Departments have provided a status report on their progress in implementing Government's Management Practices policy. Status reports have been analyzed and results are to be shared with Deputies in an effort to improve management practices.

Accounting Policies - Public Accounts

(1990 - page 77; 1988 - page 61)

RECOMMENDATIONS	STATUS OF ACTION
We previously reported that the Government's accounting policies need to be changed to bring them in compliance with recommendations of the Canadian Institute of Chartered Accountant's Public Sector Accounting and Auditing Committee (PSAAC).	
We recommended that:	
• the Government work towards compliance with PSAAC recommendations and record the pension liabilities and associated pension costs.	Under consideration by Department of Finance officials.
• the Government instruct all Crown agencies to adopt appropriate accounting policies for recording pension liabilities and associated pension costs.	No action taken, pending resolution of the Government's position.

RECOMMENDATIONS	STATUS OF ACTION
• the Government take steps to amend its accounting policies to record other employee benefit liabilities such as severance pay, vacation entitlements, sick leave and long-term disability.	This is being reviewed by the Department of Finance in conjunction with the pension issue.
• the Government take steps to develop information for recognizing fixed assets purchased and available to provide future services to Manitobans.	Department of Finance officials are waiting for guidance from the Canadian Institute of Chartered Accountants in the form of accounting recommendations for the public sector.

Central Direction and Monitoring of Departmental Accounts Receivable

(1991 - page 15)

RECOMMENDATIONS	STATUS OF ACTION
• The Department of Finance should complete the revised policy and procedures regarding the central direction and monitoring of departmental accounts receivable.	Recommendation being implemented. Comprehensive policies and procedures have been drafted for inclusion in the Financial Administration Manual which are currently awaiting Treasury Board approval.

Central Management of Information Technology

(1990 - page 37; 1989 - page 20)

RECOMMENDATIONS	STATUS OF ACTION
• Information on under-utilized technological and staff resources across government should be developed to assist with the Government's technological development secondment program.	Recommendation being implemented. A government-wide information technology strategy has been completed and is currently in the review phase. Although the Government's technological

• Treasury Board should approve the policies set out in the Information Systems Technology Guide. • The section of the Information Systems Technology Guide dealing with the strategic plan should be completed and distributed as soon as practical.	development secondment program no longer exists, the issue of government-wide information technology resources is addressed in the strategy. Once the strategy receives formal approval it will be communicated. A draft guide is out to Departments for review and comment.

Crown Agency Accountability to the Legislature

(1990 - page 35; 1988 - page 22)

RECOMMENDATIONS	STATUS OF ACTION
• Responsibility for the monitoring of Crown agencies not now reporting to a Committee of the Assembly, including those in which the Government has only a partial interest, should be clarified. • The Government should give further consideration to strengthening Crown agency accountability to the Legislature.	Recommendations being implemented. The Crown Corporations Council have identified certain additional Crown corporations which could be monitored by them. This information has been provided to the Government. A review of the accountability mechanisms of other Crown agencies is underway. Options for strengthening Crown Agency Accountability will be presented to the Minister of Finance.

Department of Consumer and Corporate Affairs

RECOMMENDATIONS	STATUS OF ACTION
Insurance Corporations Tax (1990 - page 42) • The necessity of an interest penalty should be reviewed. If it is to be retained, the interest rate also should be reviewed.	Recommendation being implemented. The interest penalty is to be dealt with under The Statute Law Amendment Act (Taxation).

• Tax rates and penalties should be set by way of regulation rather than by embodying them in the Act. This would facilitate future changes.	No action to be taken. The suggestion was considered; however, rate changes are infrequent and are easily accomplished through amendments to the Act.

The Cemeteries Act
(1990 - page 60; 1989 - page 42)

• Legislative changes should be made to protect funds prepaid by the public to cemetery owners for burial services.	Discussions to address the issue are continuing with industry officials.

Department of Education and Training

RECOMMENDATIONS	STATUS OF ACTION
Manitoba Student Assistance and the Canada Student Loans Programs (1991 - page 40)	
• The Branch should amend the Bursaries, Scholarships and Loans Regulation to include authority to charge interest on bursaries.	Recommendation implemented.
• The Branch should follow provincial policy with respect to interest rates.	Recommendation implemented.
• The Branch should revise the format of the accounts receivable statements so that the outstanding status of loans is clear.	Recommendation implemented.
• The Branch should process loan rebate payments only if the appropriate claiming procedures have been followed.	Recommendation implemented.
• The Branch should work toward early completion of negotiations for a formal agreement with the Federal government respecting administration of the CSL Program.	Recommendation being implemented. Negotiations between Provincial and Federal representatives are continuing.

• The Branch should amend the Bursaries, Scholarships and Loans Regulation to include authority to charge interest on bursaries.	Recommendation implemented.
• The Branch should negotiate with the Federal government an administration fee which fairly reflects the actual cost of administering the CSL Program.	Recommendation being implemented. Compensation is a matter which is included in the negotiations.

Department of Education - St. James-Assiniboia School Division - Special Audit

(1991 - page 101)

RECOMMENDATIONS	STATUS OF ACTION
• The Department should provide guidance on enrolment reporting.	Recommendation implemented.
• The Department should review the date and timing for reporting enrolment.	Recommendation implemented.
• The Department should provide additional direction on completing and submitting the enrolment forms.	Recommendation implemented.
• The Department should re-emphasize the requirement for schools to perform student counts, certified by teachers, at the date of the enrolment report.	Recommendation implemented.
• The Department should develop an approach for reviewing school division's policies and procedures.	Recommendation implemented.
• The Department assign responsibility for all aspects of enrolment to a senior official.	Recommendation implemented.
• The Department should institute a process to obtain assurance of the propriety of enrolment information.	Recommendation implemented.
• The Department should include a certification on the superintendent's enrolment report similar to the certification on the school's enrolment report.	Recommendation implemented.

• The Department should ensure that appropriate policies and procedures are in place in the school divisions for accountability and control over school funds.	Recommendation being implemented. The Department is bringing the need for specific accounting procedures and audit reporting for school funds to the attention of a committee (FRAME Committee) composed of key school secretary-treasurers.
• The Department should work with the school divisions to ensure that appropriate accountability systems have been established for school funds. The school funds should be subject to rotational audit with financial statements available for public review.	Recommendations being implemented (as above).

Department of Family Services

Society for Manitobans with Disabilities Inc.

(1991 - page 47)

RECOMMENDATIONS	STATUS OF ACTION
• The government should identify one department, the Department of Family Services, to coordinate funding to organizations such as the Society for Manitobans with Disabilities.	Funding from the Department has been centralized through one Branch. The Department will review and give consideration to the options available to further coordinate funding between departments that provide support to the Society for Manitobans with Disabilities.
• The Department should critically assess the funds that agencies have on hand from other sources in deciding the level of Government funding to be provided.	Recommendation implemented.
• The Department should review its funding approval process to ensure that funding decisions are made and communicated to funded organizations on as timely a basis as practicable.	Recommendation implemented.

RECOMMENDATIONS	STATUS OF ACTION
• The Department should strive to improve communication with the Society and its other funded agencies.	Recommendation being implemented. Department officials continue to meet with the agency with the stated purpose of improving the level of communication and confidence between the parties. The Department is improving communication with other external agencies through the development of service and funding agreements.
• The Department should implement a system to provide for the ongoing review and assessment of the management practices of organizations they provide with government funding.	Recommendation being implemented. Service and funding agreements will provide for improved monitoring of financial and management practices. The Department recently issued a board development guide, "The Roles, Responsibilities and Functions of a Board", to all agencies which will serve to enhance agency management and accountability.
• The Agency Relations Bureau within the Department should take action to implement improvement in the Department's monitoring of agencies such as the Society.	Recommendation implemented.
• The Department should implement a service delivery agreement with the Society.	Recommendation being implemented. Negotiations are underway with the Society on a service and funding agreement.

Department of Finance - Taxation Division

(1991 - page 52)

RECOMMENDATIONS	STATUS OF ACTION
1. Planning	
• The Taxation Division should continue with efforts to improve its planning practices and to implement a pro-active planning process. The planning process should be a participating effort among staff and sections. It might also be appropriate for the Division to use a facilitator to help with the process.	Recommendations being implemented. Strategic planning sessions have been held with the assistance of a facilitator from the Civil Service Commission. In addition to providing planning assistance, the facilitator will be providing assistance regarding performance appraisals and training and development. To address audit concerns and in conjunction with the planning process, Action Plans have been developed in each of the three branches of the Division. Complete resolution of the recommendations is scheduled to occur by June 1997.
a. Policies and Procedures	
• A systematic approach including a detailed needs assessment should be developed to identify and priorize the areas for policies and procedures development. The standardization and approval process for policies and procedures should be an integral part of the approach.	The issue has been identified in the Branch Action Plans and is receiving attention as priorized in each of the plans.

RECOMMENDATIONS	STATUS OF ACTION
b. Taxpayer Liabilities	
• The Division should review the policies, practices and procedures involving the establishment of taxpayer liabilities and the recording of taxes receivable. The review should ensure that provisions of the Act to enable enforcement of the liability are met and that, as much as practicable, there is consistency in the establishment and recording of the liability among the Acts. The policies, practices and procedures should be documented, communicated to, and reviewed with staff.	Recommendations being implemented. Standardized procedures have been implemented to ensure all liabilities established in taxpayers' accounts are enforceable. All staff involved with the establishment of liabilities have been informed of the appropriate procedures. The policies and procedures will be incorporated into the documentation process.
2. Organizing	
a. Segregation of Duties	
• The Division should review and improve its division of duties in the areas of Collections, Audit and the Taxpayer Services Group.	Recommendations implemented.
b. Staffing Level - Manager of Collections	
• The Division should reassess the staffing level of this position to ensure it is filled at an appropriate level of expertise.	Recommendation implemented.
c. Communication	
• Management should improve communication within the Division.	The issue has been identified in the Branch Action Plans and is receiving attention as priorized in each of the plans.
d. Documentation	
• The Division should review its documentation practices to assist staff with their work.	The issue has been identified in the Branch Action Plans and is receiving attention as priorized in each of the plans.

RECOMMENDATIONS	STATUS OF ACTION
e. Security	
• The Division should review its security requirements and issue appropriate policy directives.	Recommendations implemented.
3. Reporting, Controlling, Evaluating	
a. Reporting	
• The Division should review its management reporting system with a view to enhancing reports produced.	The issue has been identified in the Branch Action Plans and is receiving attention as priorized in each of the plans.
• Once the Division has implemented an appropriate planning process, the management reporting system should be improved to supply results oriented information on operational performance.	The issue has been identified in the Branch Action Plans and is receiving attention as priorized in each of the plans.
b. Controlling	
• The Division should take steps to ensure that management is exercising effective control over operations.	Recommendation being implemented. As a result of actions commenced through the planning, organizing and reporting functions management control over operations is being strengthened. Resolution of the controlling issue will occur when satisfactory progress has been made to the planning, organizing and reporting functions and specific controlling function issues have been addressed.

RECOMMENDATIONS	STATUS OF ACTION
c. Collection Evaluation	
• A formal evaluation system should be developed which would effect a regular assessment of collection procedures and practices used at that time.	Evaluation of existing collection practices is occurring on an ongoing basis. A review of collection procedures has been identified in the Action Plan of the Administration Branch. A system for formal evaluation is to be developed. An integrated evaluation approach involving all branches and units, such as the Special Investigations Unit, should be used.
d. Staff Performance Appraisals	
• The Division should work to develop appropriate performance appraisal policies and to implement an appropriate appraisal system.	Recommendation being implemented. The facilitator from the Civil Service Commission has been reviewing the performance appraisal system from a department wide perspective and will form the basis for a Divisional process.
e. Training and Development	
• Each functionalized branch of the Division should develop a training and development plan which should be supportive of planned objectives.	Recommendation being implemented. The facilitator from the Civil Service Commission has been reviewing training and development from a department wide perspective.

Department of Health

Brandon Mental Health Centre

(1991 - page 66)

RECOMMENDATIONS	STATUS OF ACTION
Planning	
• The Mental Health Division of the Department of Health should continue with its recent efforts to improve its planning practices, and implement a proactive planning process.	Recommendation being implemented as an integral part of mental health reform initiatives.
• Once an appropriate and proactive planning process is in place at the Divisional level as a result of the changes currently in progress, the planning processes at the Brandon Mental Health Centre should then be reviewed and up-graded.	Recommendation being implemented as an integral part of mental health reform initiatives.
Organizing	
Organizational Relationships	
• Once the Department's Mental Health Division's re-organization is complete, consideration should be given to re-organizing the Brandon Mental Health Centre's management staff.	Recommendation being implemented as an integral part of mental health reform initiatives.

Reporting Relationships	
• The Mental Health Division should continue with its efforts to recruit a Financial Officer.	Recommendation implemented.
• Once the Financial Officer position is filled, the Division should move as expeditiously as possible to complete its clarification of the reporting relationships between it and the Brandon Mental Health Centre.	Recommendation being implemented. The Centre is coordinating its reporting functions (cashflow projections, variance reports, etc.) through the offices of the Executive Director and Financial Officer. In addition, regular quarterly meetings are held with the Hospital Administrators and Business Managers from the Brandon and Selkirk mental health centres to address financial and administrative issues.
Staff Recruitment	
• The position of Quality Control Coordinator at the Centre, currently vacant, should be filled as expeditiously as possible. The position should be filled at a level sufficiently senior to enable the function to help protect the integrity of the Centre's operations and preserve its accreditation status.	Recommendation being implemented. The position has recently been advertised.
• The Centre should be provided with a realistic budget in terms of staff positions. If staff positions are not needed, or not planned to be filled, they should be permanently removed from the Centre's personnel salary budget; they should not be retained to use as a means of funding other operating costs.	Recommendation implemented.

Authority for Policies and Procedures	
• The Division should complete its audit of the authority and reporting lines between itself and the Centre as soon as possible. In particular the Division should tell the Centre's management if the policies and procedures established by the Centre's Executive Committee require the formal approval of the Division. If required, the Centre should then arrange for appropriate approvals of policies and procedures.	Recommendation implemented.
Budget Process	
• The Centre's management personnel should be assigned a much more active and participatory role in the budget processes of the Brandon Mental Health Centre.	Recommendation implemented.
• The necessary training should be provided to the Centre's managers to enable them to interpret financial data in a meaningful fashion, and assume more direct responsibility for the control of the financial resources allocated to their areas of influence.	Recommendation being implemented. Where the need for training has been identified it is provided in-house or through presentations from the Finance and Administration Division.
Reporting	
• The budget process at the Centre should be modified once the necessary planning and organizing improvements are made at the Division and at the Centre. The Centre must achieve a departmental oriented participatory budget process. This should result in the Centre having a meaningful budget, integrated with the plans of both the Division and the Centre.	Recommendation being implemented as an integral part of mental health reform initiatives.

• Once a meaningful budget is in place for the Centre, the Centre's management reporting systems should then be revised as well.	Recommendation being implemented. The Centre's management reporting has improved and strengthened through the provision of the following reports: - Monthly Expenditure by Prog./ Dept. - Monthly Report of Travel - Monthly Report of Contingency Time Utilized - Monthly Report of O/T Accumulated.
Controlling and Evaluating	
• Once the needed improvements are made to the planning, organizing, and reporting processes, the Centre should strengthen their management practices with regard to the controlling and evaluating processes.	Recommendation being implemented. The controlling and evaluating process has been strengthened with the: - development of a computerized client contact system by type of client for the outpatient department, and - establishment of Quality Assurance Committee and approval of QA Coordinator.
Performance Appraisals	
• Regular appraisals should be performed for the Centre's senior management staff by the Chief Executive Officer of the Centre.	Recommendation implemented.
Donation Policy and Procedures	
• The Mental Health Division, in conjunction with the Brandon Mental Health Centre, should clarify the policy to be used by the mental health centres in the area of undesignated donations.	Recommendation implemented.

Manitoba Support Services Payroll (MSSP)

(1991 - page 73)

RECOMMENDATIONS	STATUS OF ACTION
Documentation of Program Monitoring Practices	
• The Department should introduce appropriate procedures to provide the necessary documentation of on-site visits with the direct service workers to evaluate their performance.	Recommendation implemented.
Timely Update of Scheduling Model	
• Increased effort should be made to update the computerized direct service workers' schedules for all changes as they happen.	Recommendation implemented.
Document Destruction and Retention Policy	
• The Department should establish an appropriate documentation retention policy for the MSSP. Departmental officials should review the MSSP documents in view of existing Government policies, develop an appropriate policy and obtain the concurrence of the Provincial Documents Committee.	Recommendation being implemented. The Management Information Systems Section of the Department is developing the retention policy and has established a completion date of December 31, 1992.
• The Department should communicate the policy to all regional offices to ensure consistent application.	This will be done once the records authority schedule for MSSP documents has been approved by the Provincial Documents Committee.

RECOMMENDATIONS	STATUS OF ACTION
Procedures Manual	
• The Department should develop a payroll procedures manual to support the payroll clerks in the day to day preparation of the actual payroll and a workers' service manual to assist the resource coordinator in assigning the appropriate staff and tasks in accordance with the care plan.	Recommendations being implemented. A payroll procedures manual has been developed. The first draft is being released for departmental comment in November 1992. A workers' service manual has also been developed. The final draft has been approved and is going for printing in December 1992.

Department of Justice

RECOMMENDATIONS	STATUS OF ACTION
Headingley Correctional Institution (1991 - page 77)	
• Headingley should develop a role and mission statement.	Recommendation implemented.
• The Corrections Division should complete its needs assessment by analyzing the validity of identified factors and assessing their impact on each individual correctional institution. The results should then form an integral part of Headingley's planning process.	Recommendation implemented.
• Headingley should formulate priorized long-term goals and objectives for each of its operating areas. Once long-term goals and objectives are established, Headingley should identify key results indicators for assessing their achievement.	Recommendation implemented.

• Subsequent to the determination of long-term objectives, and the identification of key results indicators, Headingley should prepare an appropriately detailed mid-term plan. Adult Correctional Services should provide central review and coordination.	Recommendation is being implemented. A preliminary long and short term plan has been developed.
• Headingley should clearly identify current issues and needs, identify key results and measurement criteria for each objective and document schedules of significant activities for each objective.	See the comments in the preceding status of action.
• Headingley staff should prepare agendas and minutes for regular management and staff meetings.	Recommendation implemented.
• Headingley should develop a systematic process to identify policy development needs.	Recommendation is being implemented. A seconded staff member is working on a priorized list of institutional policy needs.
• Headingley should arrange to have all management positions filled on a permanent basis. Secondment and acting status should be used only on a temporary basis.	Recommendation implemented.
• Headingley should develop a formal process to review position descriptions, appropriately coordinated with Branch efforts, to ensure positions most significantly affected by the re-organization are reviewed on a timely basis.	Recommendation is being implemented. Efforts to update position descriptions are continuing with 74 % of the position descriptions considered current. All senior management position descriptions are current.
• Headingley should reassess the progress made in implementing the Employee Performance Management system and develop a more effective system of monitoring and controlling the preparation of performance appraisals.	Recommendation is being implemented. Over the past 12 months, 18 % of staff have received performance reviews.

• Headingley should reassess the information requirements of each manager and establish appropriate reporting and information collection systems.	Recommendation implemented.
• Headingley should initiate a process to critically review all aspects of its operations with the goal of improving efficiency and effectiveness, as well as reducing overall costs.	Recommendation implemented.

Court Accounting Systems
(1990 - page 53)

• The Department should implement a fines and costs receivable system in the courts.	Recommendation is being implemented. An automated court accounting system is being developed. Implementation of the new system is scheduled for December 1993.

Department of Labour - Accounts Receivable
(1991 - page 85)

RECOMMENDATIONS	STATUS OF ACTION
• Invoices should be prepared after the service is provided.	No action taken.
• A control account for outstanding receivables should be established.	Recommendation implemented.
• A monthly aged listing of accounts should be provided to management and staff so that appropriate action may be taken regarding delinquent accounts.	Recommendation implemented.
• Collection efforts on outstanding receivables should be improved.	Recommendation implemented.

Department of Natural Resources

Water Power Rental Fees
(1991 - page 87)

RECOMMENDATIONS	STATUS OF ACTION
Annual Billing of Power Rental Fees	
• The Water Resources Branch should determine a practical billing interval and amend the regulations accordingly.	Recommendation being implemented. Documentation will be prepared to amend the Water Power Regulation to allow quarterly billing of water power rental fees.
Licenses	
• The Water Resources Branch should continue efforts to issue on a timely basis renewal licenses for Great Falls and Seven Sisters and a final license for Jenpeg.	Recommendation being implemented. Draft renewal licences for Great Falls and Seven Sisters will be prepared and forwarded to Manitoba Hydro for acceptance. There are many outstanding issues relating to land settlements, establishment of severance areas, and preparation of drawings by Manitoba Hydro that must be resolved prior to issuing a final licence for Jenpeg.

Financial and Management Information Systems
(1990 - page 29; 1988 - page 14)

RECOMMENDATIONS	STATUS OF ACTION
• The Government should continue in its efforts to develop an integrated financial and management information system.	Recommendations being implemented. A project plan is in place and work is ongoing. Currently the project is in the feasibility study phase. Next steps,

- The project should be completed as soon as practicable and recommendations for an appropriate integrated financial and management information system be forwarded to Cabinet for consideration.

- In conjunction with this project, the Government should develop a standardized automated Estimates system for use by departments and central agencies.

following determination of the extent to which current business processes can and should be re-engineered, include a review of the Federal Government's Financial Information Strategy and an evaluation of their custom developed software with a view to determining the feasibility of implementing their system.

Internal Audit

(1990 - page 30; 1989 - page 12)

RECOMMENDATIONS	STATUS OF ACTION
• Action should be taken to improve the management and audit practices of the internal audit functions in Government.	A strategic review of the Government's Internal Audit function has been completed and a draft report is currently being circulated for comments.

Office of the Chief Electoral Officer

(1991 - page 14)

RECOMMENDATIONS	STATUS OF ACTION
• Section 67 of The Election Finances Act should be reviewed to determine the appropriateness of the 30 day deadline for filing annual returns.	Amendments to improve the disclosure requirements under The Election Finances Act have been included in the annual report of Elections Manitoba. No action has been taken by the Standing Committee of the Assembly on Privileges and Elections on the annual report recommendations.

RECOMMENDATIONS	STATUS OF ACTION
• The Standing Committee of the Assembly on Privileges and Elections should review the recommendations included in the 1988 Elections Manitoba annual report and other current annual reports on a timely basis. The Committee should provide appropriate support or direction for Elections Manitoba to initiate necessary action to implement the recommendations contained in the reports.	No action taken.

Overtime

(1990 - page 17)

RECOMMENDATIONS	STATUS OF ACTION
• The Commission should incorporate the capturing of overtime data from attendance reports into the Manitoba Employee Information System (MEIS) and make further attempts to involve all user departments to ensure the establishment of government-wide standards in this area. • Overtime records should be maintained at each department's central location permitting the production of periodic reports of total accumulated overtime and its disposition through payout and compensatory leave.	The Department of Natural Resources has been developing an attendance reporting system which will capture and report overtime information. The Civil Service Commission has been working with the Department of Natural Resources to ensure that their attendance reporting system will be capable of being integrated with the MEIS system. The Department of Natural Resources has agreed to having their project monitored and overseen by the same Steering Committee that is responsible for the enhancement project of the current MEIS system. Once the Natural

RECOMMENDATIONS	STATUS OF ACTION
• A report of this nature should be forwarded to the department's Deputy Minister for review on a periodic basis. • Departmental overtime information should be made available to Treasury Board enabling an overall evaluation of the overtime policy.	Resource system has been completed, projected to be the first quarter of 1993/94, it will be made available for application within all the departments.

Program Expenditures

(1990 - page 32; 1988 - page 14)

RECOMMENDATIONS	STATUS OF ACTION
• The Government should review and determine the cost of implementing practical policies and procedures to allocate significant centrally incurred expenditures to applicable departments and Crown Agencies.	Recommendations being implemented. Legal Services are now delivered on a charge-back basis. In addition, Treasury Board has given approval for charging back occupancy costs. Government administrators are continually exploring possibilities for allocating centrally incurred expenditures.

Review of the Legislative Assembly Offices

(1990 - page 9)

RECOMMENDATIONS	STATUS OF ACTION
• The Administration function within the Offices of the Legislative Assembly requires reorganizing.	Recommendation being implemented. A half-time deputy director has been hired and a new commitment accounting system has been implemented.

RECOMMENDATIONS	STATUS OF ACTION
• A separate Law Officer reporting to the Speaker should be hired.	The position was considered for inclusion in the 1993/94 estimates. However, the position is not considered a priority at this time.
• The standing committee system requires improvement.	No action taken.
• The information support systems to the Legislative Assembly require improvement.	Recommendation implemented. The Wang system has been implemented. Specific information support systems are being developed.
• The management practices within the offices require strengthening.	Recommendation implemented. Staff members have participated in management practices seminars and have implemented improved management practices.
• There is a need to review and improve the documentation of the guidelines for Legislative Assembly expenditures. The guidelines should adhere to the intent of the legislation and need to be effectively communicated to MLA's.	Recommendation implemented. Formal guidelines have been developed and communicated to Members.
• Consideration should be given to paying constituency office expenses and maintaining ownership of all fixed assets through the Legislative Assembly offices.	The recommendation was considered. However, the decision reached was to continue payment through the allowances. Effective April 1, 1992, all fixed assets purchased through the constituency allowances belong to the Legislative Assembly.

Timely Completion of Public Accounts

(1990 - page 82)

RECOMMENDATIONS	STATUS OF ACTION
We recommended that the Government:	
• Place a higher priority on the completion and release of its Public Accounts and • Continue to work to complete the Public Accounts on as early a time frame as practicable.	Recommendations being implemented. Continued progress was made in 1991 as Volumes I and II were released on December 20, 1991 and Volume III was released in February of 1992. Volumes I and II of Public Accounts for the year ended March 31, 1992 are scheduled for release in mid December 1992 and Volume III is scheduled for release in early 1993.

Training

(1990 - page 33; 1989 - page 22)

RECOMMENDATIONS	STATUS OF ACTION
• Each department should produce a summary report of its training and development results. • Departments should strive to achieve a better link between training and development activities and long-term plans.	Recommendations being implemented. The Civil Service Commission has been working with Treasury Board to develop a framework for departments which would assist them in linking training and development activities to longer term objectives for human resources planning. The framework has been incorporated into the 1993/94 Estimates process.

Untendered Contracts

(1990 - page 13)

RECOMMENDATIONS	STATUS OF ACTION
• The term "public tender" in the Financial Administration Act (FAA) should be clarified to clearly identify the type of contract arrangements expected to be reported to the Minister of Finance for public information. • The legislative reference "to any department or agency for which a Minister is responsible" should be clarified, particularly with respect to the definition of agency as used in The Financial Administration Act. • The legislation should stipulate how the Minister of Finance is to make the untendered contract information available to the public. • Procedural guidelines should be documented in the Financial Administration Manual (FAM) and the General Manual of Administration (GMA). • The Department of Finance Coordinator or other delegated official should follow up on missing reports and the reasons for late submission or subsequent amendments.	Recommendations being implemented. Changes to the FAA are in the draft stage. These changes deal with reporting obligations, amounts, and clarify terminology. Furthermore the planned implementation of an automated monitoring system will facilitate reporting obligations.

Workers Compensation Board

(1990 - page 58; 1983 - 38)

RECOMMENDATION	STATUS OF ACTION
• The Board should continue to take action to address the issue of compliance with legislation and to retire the program's significant unfunded liabilities.	Recommendation being implemented. The main class fund, which represents the general body of employers, had an accumulated deficit of $103 million at December 31, 1991 as a result of the Board's past assessment practices not being in compliance with the Act. Past assessment rates were not sufficient to fund the program liabilities, although total annual expenditures have been fully recovered since 1988. The Board's assessment practices relating to the other class of employers, the self-insurers, now comply with the Act as a result of administrative actions and amendments to The Workers Compensation Act. These actions also significantly improved the Board's financial position and prospects, as outlined in its Five Year Operating Plan published in April 1992.

STATUS OF PREVIOUS RECOMMENDATIONS

RESOLVED

This section summarizes the recommendations previously reported which are resolved. We have indicated either that the recommendations have been implemented or that no further action will be taken. Those responsible for improvement have provided us with the status of action.

The last report containing the full text of the recommendations can be found using the date and page references provided. Where the issue was originally reported to the Legislative Assembly prior to that date, the reference to the original report has also been provided.

Administrative Practices for Crown Agencies

(1990 - page 36; 1982 - page 25)

RECOMMENDATIONS	STATUS OF ACTION
• Action should be taken to address the need in the Manitoba public sector for greater consistency of administrative practices among and between Crown agencies and Departments.	No further action to be taken. Specific policies have been developed pertaining to Crown Corporations Council Agencies, while the General Manual of Administration provides guidelines for other entities. The Government believes that enough action has taken place to address the major areas of concern.

Brandon University - Internal Audit

(1991 - page 22)

RECOMMENDATIONS	STATUS OF ACTION
Brandon University should pursue its efforts to establish an internal audit function.	The Central Appointments Committee of Brandon University Board of Governors identified the addition of an internal audit position as a priority for the Administration and Finance area of the University. We now consider this matter resolved.

Civil Service Superannuation Fund - Reporting

(1991 - page 22)

RECOMMENDATIONS	STATUS OF ACTION
• The annual report should provide a condensed financial statement encompassing a number of years.	Recommendation implemented.

Computer Processing Disaster Recovery Plan

(1990 - page 39; 1983 - page 24)

RECOMMENDATIONS	STATUS OF ACTION
• Treasury Board should decide which systems are critical to the operation of the Government and priorize those critical systems.	Recommendation implemented. Departments have identified critical systems which have been reviewed and agreed to by the Information Technology Review office.

Department of Consumer and Corporate Affairs

Corporate and Business Licence Fees Revenue

(1991 - page 39)

RECOMMENDATIONS	STATUS OF ACTION
• The practice of providing certain services at no fee for Government Departments and Crown agencies should be reviewed.	Recommendation implemented. Effective April 1, 1992, all Government Departments and Crown agencies are charged for all services for which a prescribed fee exists.

Department of Education and Training

Accounts Receivable

(1990 - page 44)

RECOMMENDATIONS	STATUS OF ACTION
• The Manitoba Student Assistance Branch should strengthen its collection procedures for outstanding accounts receivable.	Recommendation implemented.

Public Schools Finance Board (PSFB)
(1990 - page 61; 1989 - page 37)

• Financial statements of the PSFB should be prepared in a manner consistent with its mandate and organizational structure.	Recommendation implemented.

Department of Family Services

RECOMMENDATIONS	STATUS OF ACTION

Special Audit - Winnipeg South Child and Family Services Agency
(1990 - page 68)

• The Department should work with Winnipeg Child and Family Services to deal with our previous recommendations in the context of the new agency.	Recommendations implemented.

External Agency Accountability - Rehabilitation and Community Living Division
(1990 - page 65)

• The Community Living Division should develop and apply analytical procedures to all external agency financial statements.	Recommendations implemented.

Department of Justice

Personal Property Security Registry
(1990- page 53)

RECOMMENDATIONS	STATUS OF ACTION
• The Department should proceed with the proposed system revision to ensure the monthly reconciliation of deposit accounts to a control total on a timely basis.	Recommendation implemented.

Department of Northern Affairs

Grant Accountability and Performance Appraisal
(1990 - page 70; 1987 - page 57)

RECOMMENDATIONS	STATUS OF ACTION
• The Department should improve its grant accountability processes and its performance appraisal system.	Recommendations implemented.

Native Affairs Secretariat
(1991 - page 90)

• The Secretariat should make significant improvements to achieve an appropriate level of accountability for its grant operations.	Recommendations implemented.

Department of Rural Development

Grants in Lieu of Taxes - Independent Verification
(1991 - page 99)

RECOMMENDATIONS	STATUS OF ACTION
• Payment approval process should include a review of support documentation.	Recommendations implemented.

Divestiture of Manitoba Data Services
(1991 - Page 16)

RECOMMENDATIONS	STATUS OF ACTION
• Treasury Board should work with all Government users to fully understand their audit requirements and arrange for appropriate follow-up.	Recommendation implemented.

Economic Innovation Technology Centre (EITC) (previously The Manitoba Research Council (MRC))

(1990 - page 56; 1988 - page 39)

RECOMMENDATIONS	STATUS OF ACTION
• Improvements should be made to the Centre's financial information systems in order to provide information necessary for good management practices.	Recommendation implemented.

Estimates

(1990 - page 23; 1989 - page 6)

RECOMMENDATIONS	STATUS OF ACTION
• The Government should determine the practicality of developing Estimates on a two-year cycle.	No action to be taken. Consideration has been given to developing a two year Estimates cycle. This involves agreement of the House and changes to the Financial Administration Act. At this time it has been decided not to pursue this any further.
• Consideration should be given to improving the results-oriented information included in the Supplementary Information for Legislative Review.	Recommendation implemented. A reminder has been sent to all Departments stressing the importance of meaningful results oriented information in the supplement.
• Consideration should be given to providing Members with more complete analysis of the projected deficit and the borrowing program.	No action to be taken. This recommendation related to the need to emphasize to Members that funding of proposed programs may increase both debt and debt servicing costs well into the future. The Government believes that the current Estimates debate considers this issue.

RECOMMENDATIONS	STATUS OF ACTION
• Preparation and legislative review of the Estimates should be done on a more timely basis.	Recommendation implemented. The Estimates preparation and review process is back on track after a number of years of slippage.

Manitoba Housing and Renewal Corporation

(1991 - page 23)

RECOMMENDATIONS	STATUS OF ACTION
• The Corporation should continue in its efforts to address the findings and recommendations detailed in the Joint Audit Report.	Recommendation implemented.

Manitoba Water Services Board

(1991 - page 25)

RECOMMENDATIONS	STATUS OF ACTION
Budgets for the Provision of Engineering Services	
• The Board should develop more detailed budgeting practices for its engineering services.	Recommendation no longer applies. The Board does not anticipate providing engineering design services in the future.
Contract Tendering	
• The Board should amend its policy directive to more explicitly indicate when it is appropriate to waive invitational bids for construction contracts.	Recommendation implemented. The Board of Directors revised the policy directive on construction contracts to indicate when it is appropriate to waive invitational bids.

RECOMMENDATIONS	STATUS OF ACTION
• The General Manager should approve construction orders after receiving an analysis of invitational bids.	Recommendation implemented. The Board of Directors revised the policy directive on construction contracts to require the analysis of invitational bids prior to the approval of construction orders by the General Manager. The analysis is to indicate the basis of selection or when applicable the reasons the invitational bid process was waived.
• The Board of Directors should be informed of all contracts awarded without benefit of invitational bids.	Recommendation implemented. A revised policy directive requires the Board of Directors to be kept informed on a timely basis regarding contracts awarded without the benefit of invitational bids.
• The Board should improve its procedures for soliciting invitational bids.	Recommendation implemented. A more formal process has now been established for invitational bids.
• Management should prepare a schedule of eligible well drilling contractors by area and by specialized equipment. The Board of Directors should approve the schedule.	Recommendation implemented. The Board of Directors has approved a schedule of eligible well drilling contractors by area and by specialized equipment.
Project Reporting	
• The Board should review the project information system and current voucher coding practices to ensure the information needs of users are met and the information is gathered efficiently. Variance analyses should be documented.	Recommendation implemented. Progress reports are prepared monthly and forwarded to the relevant municipality. Each month variance analysis reports are prepared and presented to the Board of Directors.

RECOMMENDATIONS	STATUS OF ACTION
Standard Hourly Rates	
• The Chief of Finance should review and approve the annual rate schedules for recovering project costs.	Recommendation implemented. The Board of Directors has approved fixed rates for recoveries of salary costs effective April 1, 1991. The annual rate schedules are no longer used.
• The Board should refund to municipalities the excess project recoveries of prior years.	Recommendation implemented. The Board has refunded $8,646 of excess recoveries to municipalities in respect of 25 projects.
Offer of Construction	
• The Board should revise the Offer of Construction to include a description of the types of costs chargeable and the method of calculating these costs.	Recommendation implemented. The Board has revised the text of the Offer of Construction to indicate that engineering, design, supervision and construction work performed by Board staff will be charged at hourly rates and included in project costs.
Contractor Invoices	
• Board employees should not be preparing invoices on behalf of contractors.	Recommendation implemented. Board employees no longer prepare contractor invoices.
Expense Claims	
• The Board should consider alternative economical methods to reduce the number of trips to Winnipeg by Board employees.	Recommendation implemented. The Board has reduced its travel expenditures significantly by adopting more economical travel practices and better monitoring of expense claims. Travel costs were $69,413 for the 1992 fiscal year compared to $155,096 for the 1991 fiscal year.
• Mileage claims should include a start point and a destination.	Recommendation implemented. Mileage claims now include a start point and a destination.

The Northern Affairs Fund

(1990 - page 70)

RECOMMENDATIONS	STATUS OF ACTION
• Officials should take action to bring the audits of self-administered communities into a current position and conduct timely audits thereafter.	Recommendation implemented.

Public Accounts Committee

(1990 - page 34; 1986 - page 37)

RECOMMENDATIONS	STATUS OF ACTION
• The Committee, to be more effective, needs to carry out its responsibilities on a more timely basis.	Recommendation implemented. The Committee agreed on December 10, 1991 to accept this recommendation.
• The Committee should consider calling ministers and their officials to respond to questions concerning issues raised in our report or other matters as the Committee may direct.	No action to be taken at this time.
• The Committee should consider adopting a working agenda.	Recommendation implemented.
• Questions to be raised at Committee meetings should be provided in advance of the meeting.	Recommendation implemented. The Committee agreed that factual questions which require reasonably detailed answers to be raised at Committee meetings should be provided in advance of the meeting whenever possible.

Public Trustee's Office

(1990 - page 57; 1988 - page 41)

RECOMMENDATIONS	STATUS OF ACTION
• The Public Trustee's office should strengthen its comptrollership function.	Recommendation implemented.

Review of Specific Expenditures

(1990 - Page 20)

RECOMMENDATIONS	STATUS OF ACTION
• The Public Utilities Board should ensure that the professional fees paid are commensurate with the level of service and that rates being charged are competitive.	Recommendation implemented.
• The Government should provide direction to departments to clarify the current position on the use of couriers.	Recommendation implemented. A directive will be issued to all departments re-emphasizing that discretion should be exercised when utilizing couriers.

Venture Manitoba Tours. Ltd. - Policies and Procedures

(1991 - page 38)

RECOMMENDATIONS	STATUS OF ACTION
• Certain key policies should be developed and documented in the procedures manual. Policies that we identified as requiring further development related to the provision of complimentary services, the allocation of costs to the various revenue areas and the enhancement of internal controls over room revenues and disbursement documentation.	Recommendations implemented.

EXHIBITS

Acknowledgements

This report would not be complete without recognizing the contribution made by the audit and administrative staff of the Office. Their professionalism and dedication in the performance of their duties are reflected in the issues raised throughout this report. I personally appreciate their commitment to meeting the objectives of the Office during the year. I would also like to acknowledge the expressions of appreciation received from many of our auditees on the performance of the staff and the benefits derived from their work.

The following staff assisted in the accomplishment of our objectives during the audit period ended September 30, 1992:

J. H. Armstrong
R. S. Black
P. Blanchard
J. K. Bothe
J. Buckwold
G. Budnick
S. M. Burton
G. Campbell
J. Chan
G. Cruz
D. Corrigal
G. Delannoy
G. Edwards
D. M. Fisher
D. Gibson
M. Gwynne
P. Hamelin
I. Hasanally
W. A. Johnson
J. H. Knight
J. Lai
D. W. Larson
L. Lewarton
G. R. MacBeth
I. MacLaren
A. F. Martin
J. M. Martin
M. I. Matsukubo
P. McBeth
M. D. McKinnon
M. A. Mork
M. Mouser
K. Nero
M. E. Nichol
B. G. Ormonde
R. Oswald
T. W. Paterson
D. Petrie
R. Provencher
F. Rahim
N. Ricard
S. Richardson
M. Sachdeva
B. Sklebar
K. Solmundson
L. Unryn
B. Whiteside
B. Wirth
J. D. Woytiuk
S. R. Wylynko

Provincial Auditor Retirement

On September 9, 1992, the Provincial Auditor, F. H. Jackson, CA, retired from the Office and the Public Service of Manitoba.

Fred Jackson was employed for some 27 years with the Public Service and served 24 of those years as an Audit Manager, Assistant Provincial Auditor and as the Provincial Auditor. During this period, he worked to improve the accountability of the Government and of its officials to both the Legislature and the taxpayers of Manitoba. His contribution to the Office and his service to the Legislative Assembly and the public will be remembered.

The Provincial Auditor's Act

CHAPTER P145

THE PROVINCIAL AUDITOR'S ACT

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of Manitoba, enacts as follows:

Definitions.

1 In this Act

"agency of the government" means any board, commission, association, or other body of persons, whether incorporated or unincorporated, all the members of which, or all the members of the board of management or board of directors of which

(a) are appointed by an Act of the Legislature or by order of the Lieutenant Governor in Council, or

(b) if not so appointed, in the discharge of their duties are public officers or servants of the Crown, or for the proper discharge of their duties are, directly or indirectly, responsible to the Crown; ("organisme gouvernemental")

"department" means a department or branch of the executive government of the province; ("ministère")

"public moneys" includes all revenue and moneys arising from whatever source belonging or payable to the government; ("deniers publics")

"qualified auditor" means a professional auditor or a firm of professional auditors; ("vérificateur qualifié")

CHAPITRE P145

LOI SUR LE VÉRIFICATEUR PROVINCIAL

SA MAJESTÉ, sur l'avis et du consentement de l'Assemblée législative du Manitoba, édicte :

Définitions

1 Les définitions qui suivent s'appliquent à la présente loi.

"bénéficiaire de deniers publics" Corporation, association, régie, commission, société ou personne à laquelle une subvention ou une avance de deniers publics est faite ou peut être faite ou dont un emprunt est garanti ou peut être garanti par la Couronne en vertu d'une loi. La présente définition exclut les organismes gouvernementaux. ("recipient of public moneys")

"deniers publics" Y sont assimilés les revenus et les deniers, quelle qu'en soit la source, qui appartiennent ou qui sont dus au gouvernement. ("public moneys")

"ministère" Ministère ou direction du gouvernement de la province. ("department")

"organisme gouvernemental" Régie, commission, association ou autre groupe de personnes, constitué ou non en corporation, dont les membres ou les membres du conseil d'administration ou du conseil de direction sont, selon le cas :

a) nommés en vertu d'une loi de la Législature ou par décret du lieutenant-gouverneur en conseil;

"recipient of public moneys" means a corporation, association, board, commission, society or person to which or to whom a grant or advance of public moneys may be or is made, or the borrowing of which or of whom may be or are guaranteed by the Crown under any Act, but does not include an agency of the government. ("bénéficiaire de deniers publics")

Appointment of Provincial Auditor.
2 The Lieutenant Governor in Council shall appoint a Provincial Auditor for the Province of Manitoba.

Salary.
3(1) The Provincial Auditor shall be paid a salary within the range of salaries paid to senior deputy ministers in the civil service and is entitled to the privileges and perquisites of the office of a senior deputy minister.

Reduction of salary.
3(2) The salary of the Provincial Auditor shall not be reduced except on resolution of the assembly.

Term of office.
4(1) The Provincial Auditor shall hold office during good behaviour for a term of 10 years and may be reappointed for further terms of 10 years each.

R.S.M. 1987 Supp., c. 4, s. 19.

Removal or suspension.
4(2) The Lieutenant Governor in Council, on a resolution of the assembly, carried by a vote of two-thirds of the members of the assembly voting thereon, may remove the Provincial Auditor from office or suspend him.

Suspension when Legislature not in session.
4(3) Upon written advice of the majority of a committee consisting of the President of the Executive Council and the recognized leaders of the members belonging to the several political parties in opposition, the Lieutenant Governor in Council may, at any time the Legislature is not in session, suspend the Provincial Auditor for cause; but the suspension shall not continue in force beyond the end of the next ensuing session of the Legislature.

b) officiers publics ou employés de la Couronne, ou relèvent directement ou indirectement de la Couronne dans l'exercice de leurs fonctions. ("agency of the government")

"vérificateur qualifié" Vérificateur professionnel ou firme de vérificateurs professionnels. ("qualified auditor")

Nomination du vérificateur provincial
2 Le lieutenant-gouverneur en conseil nomme un vérificateur provincial pour le Manitoba.

Salaire
3(1) Le vérificateur provincial reçoit un salaire se situant dans le barème des salaires versés aux sous-ministres supérieurs de la fonction publique. Le vérificateur provincial a droit aux privilèges et avantages de la charge des sous-ministres supérieurs.

Réduction de salaire
3(2) Le salaire du vérificateur provincial ne peut être réduit que par résolution de l'Assemblée.

Durée du mandat
4(1) Le mandat du vérificateur provincial est de 10 ans. Il occupe son poste à titre inamovible. Son mandat peut être renouvelé plusieurs fois, pour dix ans à chaque fois.

Suppl. L.R.M. 1987,. c. 4, art. 19.

Destitution ou suspension
4(2) Le lieutenant-gouverneur en conseil peut, à la suite d'une résolution de l'Assemblée votée aux deux tiers des membres qui expriment leur vote, destituer le vérificateur provincial ou le suspendre.

Législature n'est pas en session
4(3) Sur avis écrit de la majorité d'un comité composé du président du Conseil exécutif et des chefs reconnus des partis politiques d'opposition, le lieutenant-gouverneur en conseil peut, lorsque la Législature n'est pas en session, suspendre, pour un motif valable le vérificateur provincial. La suspension ainsi décidée ne peut se poursuivre au delà de la fin de la session suivante.

Definition of "political party".
4(4) For the purposes of subsection (3), "political party" has the meaning assigned to it under The Elections Act.

Assistant Provincial Auditor.
5(1) The Lieutenant Governor in Council, upon the recommendation of the Provincial Auditor, may appoint an Assistant Provincial Auditor who, in the absence of the Provincial Auditor because of illness or other cause, or in the case of a vacancy in the office, shall have the powers and perform the duties of the Provincial Auditor.

Employment of staff.
5(2) Subject to subsection 6(4), such officers and employees as are necessary to enable the Provincial Auditor to perform his duties shall be appointed in accordance with The Civil Service Act.

Contract for professional services.
5(3) The Provincial Auditor may contract for professional services.

Application of Civil Service Superannuation Act.
6(1) The Provincial Auditor, and all persons employed under him, are employees within the meaning of The Civil Service Superannuation Act.

Provincial Auditor not under Civil Service Act.
6(2) The Provincial Auditor is not subject to The Civil Service Act, except sections 42 to 44 thereof which apply to him.

Employees under Provincial Auditor.
6(3) Subject to subsection (4), The Civil Service Act applies to persons employed under the Provincial Auditor.

Conflict with Civil Service Act.
6(4) Where any provision of The Civil Service Act or the regulations made thereunder conflicts with or is repugnant to any order, rule or regulation made under this Act that relates to or affects persons employed under The Provincial Auditor or to their supervision or control, the order, rule or regulation made under this Act prevails.

Définition de "parti politique"
4(4) Pour l'application du paragraphe (3), l'expression "parti politique" a le sens que lui donne la Loi électorale.

Vérificateur provincial adjoint
5(1) Le lieutenant-gouverneur en conseil peut, sur recommandation du vérificateur provincial, nommer un vérificateur provincial adjoint qui, en cas d'absence du vérificateur provincial pour un motif quelconque ou en cas de vacance de sa charge, a ses pouvoirs et exerce ses fonctions.

Personnel
5(2) Sous réserve du paragraphe 6(4), les cadres et employés qui sont nécessaires pour permettre au vérificateur provincial d'exercer ses fonctions sont nommés conformément à la Loi sur la fonction publique.

Contrat de services professionnels
5(3) Le vérificateur provincial peut passer des contrats pour obtenir des services professionnels.

Loi sur la pension de la fonction publique
6(1) Le vérificateur provincial ainsi que les personnes qu'il emploie sont des employés au sens de la Loi sur la pension de la fonction publique.

Loi sur la fonction publique
6(2) La Loi sur la fonction publique, à l'exception des articles 42 à 44, ne s'applique pas au vérificateur provincial.

Loi sur la fonction publique
6(3) Sous réserve du paragraphe (4), la Loi sur la fonction publique s'applique aux personnes qu'emploie le vérificateur provincial.

Incompatibilité
6(4) Les textes d'application de la présente loi l'emportent sur toute disposition incompatible de la Loi sur la fonction publique ou de ses règlements concernant le personnel du vérificateur provincial ou sa supervision.

Supervision.
7(1) The Provincial Auditor shall supervise and be responsible for all matters relating to the conduct of the internal business of his office and of persons employed under him and may make orders, rules and regulations with respect thereto.

Suspension of employees.
7(2) The Provincial Auditor may suspend from duty any person employed under him.

Delegation of authority.
7(3) The Provincial Auditor may delegate to any person employed under him any duty, act or function that by this Act he is required to do other than the reporting to the assembly or to the Lieutenant Governor in Council.

Costs payable from Consolidated Fund.
7(4) The salary of the Provincial Auditor and the costs of carrying on the business of his office and performing his duties shall be paid from the Consolidated Fund with moneys authorized under an Act of the Legislature to be so paid and applied.

Powers of Provincial Auditor.
8(1) Notwithstanding anything in any other Act of the Legislature, the Provincial Auditor has free access at all convenient times to all files, documents and other records relating to the accounts of every department, and he may require and receive from members of the public service information, reports and explanations that he deems necessary for the proper performance of his duties.

Stationing of staff.
8(2) The Provincial Auditor may station in any department any person employed under him to enable him more effectively to carry out his duties; and the department shall provide the necessary office accommodation for any person so stationed.

Security requirements.
8(3) The Provincial Auditor shall require every person employed under him who is to examine the accounts of a department under this Act to comply with any security requirements applicable to persons employed in that department.

Supervision
7(1) Le vérificateur provincial assume la responsabilité de la régie interne de son bureau et des personnes qu'il emploie. Il peut à cet égard donner des ordres et prendre des règles et des règlements.

Suspension d'employés
7(2) Le vérificateur provincial peut suspendre toute personne qu'il emploie.

Délégation de pouvoir
7(3) Le vérificateur provincial peut déléguer à ses employés les attributions que lui assigne la présente loi à l'exception de l'obligation qui lui incombe de faire rapport à l'Assemblée ou au lieutenant-gouverneur en conseil.

Paiement des dépenses sur le Trésor
7(4) Le salaire du vérificateur provincial ainsi que les dépenses relatives aux activités de son bureau et à l'accomplissement de ses fonctions sont payés sur le Trésor au moyen des sommes qu'une loi de la Législature affecte à cette fin.

Pouvoirs du vérificateur provincial
8(1) Malgré toute autre loi de la Législature, le vérificateur provincial dispose d'un libre accès à tout moment convenable aux dossiers, documents et autres archives relatifs à la comptabilité de chaque ministère. Il peut exiger et recevoir des membres de la fonction publique les renseignements, rapports et explications qu'il juge nécessaires à l'accomplissement normal de ses fonctions.

Affectation du personnel
8(2) Le vérificateur provincial peut affecter ses employés à tout ministère lorsque cela lui permet d'exercer ses fonctions de manière plus efficace. Le ministère fournit aux employés ainsi affectés les locaux nécessaires.

Mesures de sécurité
8(3) Le vérificateur provincial exige que les employés qu'il affecte à la vérification des comptes d'un ministère en vertu de la présente loi se conforment aux mesures de sécurité applicables aux employés de ce ministère.

Examination under oath.
9 The Provincial Auditor, or his representative instructed by him in writing, may examine any person on oath touching any matter which by this Act he is required to check, examine, audit, or control; and for the purposes of the examination the Provincial Auditor, or his representative, has all the powers and protection of a commissioner appointed under Part V of The Manitoba Evidence Act.

Audit of payments.
10(1) Without limiting or restricting the responsibility of any minister, deputy minister, departmental officer or other person charged with the administration of public moneys, the Provincial Auditor shall examine on behalf of the assembly all accounts of expenditure of public moneys out of the Consolidated Fund, whether held in trust or otherwise.

Accounts in accord with grants.
10(2) The Provincial Auditor shall satisfy himself that every account requisitioned for payment is in accordance with the terms and conditions of the grant to which the account relates.

Departmental certification.
10(3) The Provincial Auditor shall satisfy himself that every account has been examined and certified correct by the department concerned.

Certificate of legislative authority.
11(1) Except as provided in subsections (2), (3) and (4), no payment of public money shall be made without the certificate of the Provincial Auditor that there is legislative authority for the payment.

Opinion of Attorney-General.
11(2) Where the Provincial Auditor has reported to the member of the Executive Council charged with the administration of The Financial Administration Act that there is no legislative authority for a payment from the Consolidated Fund, if the Attorney-General, or his deputy, gives a written opinion that there is legislative authority for the payment, citing the authority, the payment shall be made.

Interrogatoire sous serment
9 Le vérificateur provincial ou toute personne à qui il en a donné l'ordre écrit peut interroger sous serment toute personne relativement à toute question qu'il est tenu de vérifier, d'examiner ou de contrôler aux termes de la présente loi. À cette fin, le vérificateur provincial ou la personne ainsi habilitée a les pouvoirs et l'immunité d'un commissaire nommé en vertu de la partie V de la Loi sur la preuve au Manitoba.

Vérification des paiements
10(1) Sans préjudice de la responsabilité des ministres, sous-ministres, cadres ministériels ou autres personnes chargées de l'administration de deniers publics, le vérificateur provincial vérifie, pour le compte de l'Assemblée, la comptabilité des deniers publics dépensés sur le Trésor, qu'ils soient détenus en fiducie ou autrement.

Comptes reliés à des deniers affectés
10(2) Le vérificateur provincial vérifie que les demandes de paiement de comptes se conforment aux modalités d'affectation de deniers à leur égard.

Attestation ministérielle
10(3) Le vérificateur provincial s'assure que chaque compte a été examiné et que son exactitude a été attestée par le ministère concerné.

Attestation d'autorisation législative
11(1) Sous réserve des paragraphes (2), (3) et (4), les deniers publics ne peuvent être dépensés sans que le vérificateur provincial ait attesté que le paiement est autorisé par une disposition législative.

Opinion du procureur-général
11(2) Lorsque le vérificateur provincial indique au membre du Conseil exécutif chargé de l'application de la Loi sur l'administration financière qu'il n'y a pas d'autorisation législative pour qu'un paiement sur le Trésor soit effectué, le paiement ne peut être fait que si le procureur général ou son sous-ministre donne une opinion écrite selon laquelle il existe une autorisation législative pour ce paiement. L'opinion doit citer l'autorisation législative.

Reference on refusal to certify.

11(3) Where, in the course of pre-audit, the Provincial Auditor refuses for any reason other than lack of legislative authority to pass a requisition for payment, the minister of the department requisitioning the payment may, upon notice to the Provincial Auditor, refer the matter to the member of the Executive Council charged with the administration of The Financial Administration Act; and thereupon the minister of the department shall submit all correspondence in the matter, together with a memorandum setting out

(a) the legislative authority under which he considers the expenditure may be made;

(b) the objections taken by the Provincial Auditor; and

(c) any answer to those objections;

to the member of the Executive Council charged with the administration of The Financial Administration Act who may, in his discretion, make the payment.

Where pre-audit not practical.

11(4) Where a pre-audit of accounts by the Provincial Auditor before payments are made is not practical, the member of the Executive Council charged with the administration of The Financial Administration Act, by arrangement with the Provincial Auditor, may direct that payments be made without pre-audit and section 10 does not apply to any account that may be paid without pre-audit.

Examination of accounts.

12(1) The Provincial Auditor is the auditor of the accounts of the government including those relating to the Consolidated Fund and as such shall make all examinations and inquiries he considers necessary to enable him to report as required by this Act.

Audit of other public moneys.

12(2) Unless some other provision is made pursuant to a statute in that behalf, the Provincial Auditor is responsible for the examination, checking and auditing, of the receipt and payment of public moneys that are not part of the Consolidated Fund.

Recours en cas de refus de certification

11(3) Lorsqu'au cours d'une vérification préalable, le vérificateur provincial refuse, pour une raison autre que le manque d'autorisation législative, de permettre une demande de paiement, le ministre du ministère demandant le paiement peut, après avoir transmis un avis au vérificateur provincial, renvoyer le dossier au membre du Conseil exécutif chargé de l'application de la Loi sur l'administration financière en lui soumettant toute la correspondance relative à cette question ainsi qu'un mémoire exposant :

a) l'autorisation législative aux termes de laquelle il considère que la dépense peut être faite;

b) les objections formulées par le vérificateur provincial;

c) les réponses à ces objections.

Sur ce, le membre du Conseil exécutif chargé de l'application de la Loi sur l'administration financière peut, à sa discrétion, effectuer le paiement.

Exemption de vérification préalable

11(4) Lorsque les circonstances ne se prêtent pas à une vérification préalable à un paiement par le vérificateur provincial, le membre du Conseil exécutif chargé de l'application de la Loi sur l'administration financière peut, par entente avec le vérificateur provincial, ordonner que ce paiement soit effectué sans vérification préalable. L'article 10 ne s'applique pas au paiement ainsi autorisé.

Examen des comptes

12(1) Le vérificateur provincial est le vérificateur des comptes du gouvernement et notamment de ceux qui ont trait au Trésor. À ce titre, il effectue les examens et les enquêtes qu'il estime nécessaires pour lui permettre de faire les rapports qu'exige la présente loi.

Vérification relative à d'autres deniers publics

12(2) Sauf disposition législative contraire, le vérificateur provincial est chargé de l'examen et de la vérification des recettes et dépenses de deniers publics qui ne font pas partie du Trésor.

Report to ministers.
12(3) The Provincial Auditor shall make a report at least once each year upon each examination and audit performed under subsections (1) and (2), or either of them, to the minister of the department concerned and to the member of the Executive Council charged with the administration of The Financial Administration Act.

Report to officials.
12(4) The Provincial Auditor may advise appropriate officers and employees of matters discovered in his examinations and inquiries made under this section.

Report to assembly.
13(1) The Provincial Auditor shall report annually to the assembly

(a) on the work of his office; and

(b) on whether, in carrying on the work of his office, he received all the information and explanations he required.

Content of report.
13(2) Each report of the Provincial Auditor under subsection (1) shall call attention to anything that he considers to be of significance and of a nature that should be brought to the attention of the assembly, including any cases in which he has observed

(a) that accounts have not been faithfully and properly maintained or public moneys which are required by law to be fully accounted for and paid into the Consolidated Fund have not been so accounted for and paid;

(b) that essential records have not been maintained or that the rules and procedures applied have been insufficient

(i) to safeguard and control public property, or

(ii) to secure an effective check on the assessment, collection and proper allocation of the revenue, or

(iii) to ensure that expenditures have been made only as authorized;

(c) that public moneys have been expended other than for purposes for which it was appropriated by the Legislature.

Rapport aux ministres
12(3) Une fois l'an au moins, le vérificateur provincial fait rapport de l'examen et de la vérification effectués en vertu des paragraphes (1) et (2). Ce rapport est destiné au ministre du ministère concerné et au membre du Conseil exécutif chargé de l'application de la Loi sur l'administration financière.

Rapport aux responsables
12(4) Le vérificateur provincial peut aviser les cadres et employés concernés des découvertes qu'il a faites lors des examens et des enquêtes effectués en vertu du présent article.

Rapport à l'Assemblée
13(1) Le vérificateur provincial fait rapport chaque année à l'Assemblée sur les sujets suivants :

a) les activités de son bureau;

b) le fait qu'il ait reçu ou non les renseignements et les explications dont il avait besoin dans l'exercice de ses fonctions.

Contenu du rapport
13(2) Les rapports du vérificateur provincial établis en vertu du paragraphe (1) doivent attirer l'attention sur ce qu'il considère significatif et de nature à être porté à l'attention de l'Assemblée. Le vérificateur provincial signale notamment les cas où il a constaté les faits suivants :

a) les comptes n'ont pas été rigoureusement et convenablement tenus ou les deniers publics qui devaient être totalement crédités ou débités au Trésor ne l'ont pas été;

b) les livres importants n'ont pas été tenus ou les règles et la procédure appliquées n'ont pas suffi à assurer l'un ou l'autre des éléments suivants :

(i) la sécurité et la maîtrise des biens publics,

(ii) une surveillance efficace de la détermination, du recouvrement et de l'attribution adéquate des revenus,

(iii) le respect de l'autorisation relative aux dépenses;

c) les deniers publics ont été dépensés à des fins autres que celles pour lesquelles ils avaient été affectés par la Législature.

Submission of report.
13(3) The report of the Provincial Auditor shall, on or before December 31 next after the close of the fiscal year for which it was made, be delivered to the Lieutenant Governor in Council to be laid before the assembly if it is then in session, or, if the assembly is not then in session, within 15 days after the commencement of the next ensuing session.

Distribution of report to members of assembly.
13(4) The Lieutenant Governor in Council, upon receiving the report of the Provincial Auditor, shall direct that copies of the report be sent to the members of the assembly.

Special report to assembly.
13(5) The Provincial Auditor may make a special report to the assembly on any matter of pressing importance or urgency that, in his opinion, should not be deferred until the presentation of his annual report and each special report made under this subsection shall be delivered to the Speaker of the assembly who shall lay it before the assembly forthwith upon the receipt thereof and where the assembly is not in session when he receives the special report the Speaker shall forward copies thereof to the members of the assembly.

Report on government statements.
14 The Provincial Auditor shall examine the several financial statements required to be included in the Public Accounts under The Financial Administration Act, and any other statements which the member of the Executive Council charged with the administration of The Financial Administration Act may present for audit, and shall express his opinion as to whether they fairly present information in accordance with accounting policies of the government stated in the Public Accounts and on a basis consistent with that of the preceding year together with any reservations he may have with respect thereto.

Remise du rapport
13(3) Le rapport du vérificateur provincial est remis au lieutenant-gouverneur en conseil au plus tard le 31 décembre suivant l'exercice qu'il concerne. Le lieutenant-gouverneur en conseil le dépose devant l'Assemblée si elle est en session ou, si elle ne l'est pas, dans les 15 jours du début de la session suivante.

Distribution du rapport aux membres de l'Assemblée
13(4) Le lieutenant-gouverneur en conseil, sur réception du rapport du vérificateur provincial, ordonne que des exemplaires de ce rapport soient envoyés aux membres de l'Assemblée.

Rapport spécial à l'Assemblée
13(5) Le vérificateur provincial peut faire un rapport spécial à l'Assemblée sur un sujet d'une importance ou d'une urgence telle, qu'à son avis, il devrait être traité avant la présentation de son rapport annuel. Les rapports spéciaux faits en vertu du présent paragraphe sont remis à l'orateur de l'Assemblée qui les dépose devant celle-ci immédiatement après réception. Lorsque l'Assemblée ne siège pas, l'orateur envoie des copies des rapports spéciaux aux membres de l'Assemblée.

Rapport sur les états financiers du gouvernement
14 Le vérificateur provincial examine les différents états financiers que la Loi sur l'administration financière exige de faire figurer aux comptes publics ainsi que les autres états financiers que le membre du Conseil exécutif chargé de l'application de la Loi sur l'administration financière peut présenter pour vérification. Le vérificateur provincial indique si, à son avis, ces états financiers présentent des renseignements conformes aux conventions comptables du gouvernement telles qu'elles sont indiquées dans les comptes publics, sur une base compatible avec celles du précédent exercice. Il indique également les réserves qu'il émet à leur égard.

Special audits.

15(1) Notwithstanding any other provision of this Act, the Lieutenant Governor in Council or the member of the Executive Council charged with the administration of The Financial Administration Act may, at any time, direct the Provincial Auditor to make an examination and audit of the accounts of any person, institution, branch, commission, board, department or agency of the government, in any way receiving, paying, or accounting for, public moneys and report thereon to him, and the Provincial Auditor shall forthwith make the examination, audit and report as directed, if in his opinion the making of the examination, audit and report does not interfere with his primary responsibilities.

Outside auditor employed for special audits.

15(2) Where the Provincial Auditor is of the opinion that an examination and audit which he has been directed to make under subsection (1) interferes with his primary responsibilities, the member of the Executive Council charged with the administration of The Financial Administration Act may employ someone to make the examination and audit directed.

Payments for special audits.

16(1) Where under this Act or any other Act of the Legislature, the Provincial Auditor is, or may be required, or a person is employed under subsection 15(2), to examine or audit or inquire into the accounts of any association, person, institution, branch, commission, board, department or agency of the government, the Lieutenant Governor in Council may direct that the cost of the examination and audit or inquiry be paid from the Consolidated Fund or by that association, person, institution, branch, commission, board, department or agency of the government or partly from the Consolidated Fund and partly by the association, person, institution, branch, commission, board, department or agency of the government, and the association, person, institution, branch, commission, board, department or agency of the government shall make payment as directed.

Vérifications spéciales

15(1) Malgré toute autre disposition de la présente loi, le lieutenant-gouverneur en conseil ou le membre du Conseil exécutif chargé de l'application de la Loi sur l'administration financière peut à tout moment, ordonner au vérificateur provincial de faire l'examen et la vérification des comptes d'une personne, d'une institution, d'une direction, d'une commission, d'une régie, d'un ministère ou d'un organisme gouvernemental qui, de quelque façon que ce soit, reçoit ou verse des deniers publics ou doit rendre compte de l'utilisation de deniers publics et de lui en faire rapport. Le vérificateur provincial procède immédiatement à l'examen, à la vérification et au rapport, tel qu'on le lui demande dans la mesure où, à son avis, cela n'empiète pas sur ses responsabilités fondamentales.

Vérificateurs extérieurs

15(2) Lorsque le vérificateur provincial estime que l'examen et la vérification visés au paragraphe (1) empiètent sur ses responsabilités fondamentales, le membre du Conseil exécutif chargé de l'application de la Loi sur l'administration financière peut engager quelqu'un pour y procéder.

Paiements des vérifications spéciales

16(1) Lorsqu'en vertu de la présente loi ou d'une autre loi de la Législature le vérificateur provincial est ou peut être requis ou une personne engagée en vertu du paragraphe 15(2) est chargée de procéder à un examen, à une vérification ou à une enquête portant sur les comptes d'une association, d'une personne, d'une institution, d'une direction, d'une commission, d'une régie, d'un ministère ou d'un organisme gouvernemental, le lieutenant-gouverneur en conseil peut ordonner que les coûts en soient payés sur le Trésor ou par l'association, la personne, l'institution, la direction, la commission, la régie, le ministère ou l'organisme gouvernemental ou encore qu'ils soient partagés entre le Trésor et les entités dont les comptes sont concernés. Les entités ainsi concernées doivent effectuer le paiement des dépenses comme l'ordonne le lieutenant-gouverneur en conseil.

Determination of costs.
16(2) The Lieutenant Governor in Council may

(a) determine the cost of any examination and audit or inquiry to which reference is made in subsection (1) and which is made by the Provincial Auditor; or

(b) may prescribe a general tariff for costs applicable in respect of all examinations and audits or inquiries to which reference is made in subsection (1) and which are made by the Provincial Auditor.

Reliance on report of other auditors.
17(1) Notwithstanding subsections (2), (3) and (4), in order to fulfil his responsibilities as the auditor of the accounts of the government, the Provincial Auditor may rely on the report of the duly appointed auditor of any agency of the government or of any subsidiary of an agency of the government or of any recipient of public moneys.

Provincial Auditor may request information.
17(2) The Provincial Auditor may request an agency of the government to obtain and furnish to him such information and explanations from its present or former directors, officers, employees, agents and auditors or those of any of its subsidiaries as are, in the opinion of the Provincial Auditor, necessary to enable him to fulfil his responsibilities as auditor of the accounts of the government.

Direction from L. G. in C.
17(3) If, in the opinion of the Provincial Auditor, an agency of the government, in response to a request made under subsection (2), fails to provide any or sufficient information or explanations, he may so advise the Lieutenant Governor in Council who may thereupon direct the officers of the corporation to furnish the Provincial Auditor with such information and explanations and to give him access to those records, documents, books, accounts and vouchers of the agency of the government, or any of its subsidiaries, access to which is, in the opinion of the Provincial Auditor, necessary for him to fulfil his responsibilities as auditor of the accounts of the government and the agency of the government, or its subsidiary, shall comply with the direction.

Détermination des coûts
16(2) Le lieutenant-gouverneur en conseil peut :

a) soit déterminer le coût des examens, des vérifications ou des enquêtes visés au paragraphe (1) et qui sont faits par le vérificateur provincial;

b) soit prescrire un tarif général pour les coûts des examens, des vérifications ou des enquêtes visés au paragraphe (1) et qui sont faits par le vérificateur provincial.

Rapports établis par d'autres vérificateurs
17(1) Malgré les paragraphes (2), (3) et (4), le vérificateur provincial peut, pour s'acquitter de ses responsabilités de vérificateur des comptes du gouvernement, se fier aux rapports établis par les vérificateurs dûment nommés des organismes gouvernementaux ou de leurs filiales ou des bénéficiaires de deniers publics.

Demande de renseignements
17(2) Le vérificateur provincial peut exiger d'un organisme gouvernemental que ses administrateurs, cadres, employés, agents et vérificateurs, présents ou passés ou ceux de ses filiales lui fournissent les renseignements et les explications qui, à son avis, sont nécessaires pour lui permettre de remplir ses fonctions de vérificateur des comptes du gouvernement.

Ordre du lieutenant-gouverneur en conseil
17(3) Si de l'avis du vérificateur provincial, un organisme gouvernemental soumis à l'exigence prévue au paragraphe (2) omet de fournir un renseignement ou une explication ou omet de fournir des renseignements ou des explications suffisants, il peut en aviser le lieutenant-gouverneur en conseil qui peut, à partir de cet avis, ordonner aux cadres de cet organisme de fournir au vérificateur provincial ces renseignements et ces explications et de lui donner accès aux archives, documents, livres, comptes et pièces justificatives de l'organisme gouvernemental ou de ses filiales, si le vérificateur provincial estime que cet accès lui est nécessaire pour assumer ses responsabilités de vérificateur des comptes du gouvernement. L'organisme gouvernemental et ses filiales doivent obéir à l'ordre.

Inspection audit.
17(4) The Provincial Auditor may perform an inspection audit in respect of a recipient of public moneys and may require a recipient of public moneys to prepare and submit to the Provincial Auditor a financial statement that sets out the details in the accounting for the public moneys received by the recipient of public moneys.

Obstruction of Provincial Auditor.
17(5) No person shall obstruct the Provincial Auditor or any person employed under the Provincial Auditor in the performance of an inspection audit or conceal or destroy any books, papers, documents or things relevant to the subject matter of an inspection audit being performed under subsection (4).

Submission of annual estimate.
18(1) The Provincial Auditor shall annually prepare an estimate of the sums that will be required to be provided by the Legislature for the payment of salaries, allowances and expenses of the Office of Provincial Auditor during the next ensuing fiscal year and shall submit the estimate to the Legislative Assembly Management Commission.

Special report.
18(2) Where, in the opinion of the Provincial Auditor, the amounts provided for his office in the estimates submitted to the Legislature are inadequate to enable him to fulfil responsibilities of his office, the Provincial Auditor shall make a special report to the assembly which he shall submit to the Speaker of the assembly who shall lay it before the assembly forthwith after the receipt thereof.

Vérification d'inspection
17(4) Le vérificateur provincial peut effectuer une vérification d'inspection à l'égard d'un bénéficiaire de deniers publics et peut demander à celui-ci de préparer et de lui soumettre un état financier qui donne les détails comptables relatifs aux deniers publics reçus.

Obstruction
17(5) Il est interdit d'entraver le vérificateur provincial ou un de ses employés dans l'exercice d'une vérification d'inspection ou de cacher ou de détruire des livres, des papiers, des documents ou des objets relatifs au domaine qui fait l'objet d'une vérification d'inspection en vertu du paragraphe (4).

Soumission d'un budget annuel
18(1) Le vérificateur provincial prépare chaque année un budget à l'égard des sommes que la Législature devra affecter au paiement des salaires, des allocations et des dépenses du bureau du vérificateur provincial pour l'exercice suivant. Il soumet ce budget à la Commission de Régie de l'Assemblée législative.

Rapport spécial
18(2) Lorsqu'il est d'avis que les sommes affectées à son bureau selon le budget soumis à la Législature sont insuffisantes pour lui permettre d'assumer les responsabilités de sa charge, le vérificateur provincial en fait un rapport spécial à l'Assemblée, rapport qu'il présente à l'orateur de l'Assemblée qui le dépose devant celle-ci dès sa réception.

Audit of Office of Provincial Auditor.

19 A qualified auditor nominated by the Executive Council or a committee thereof shall examine the receipts and disbursements of the Office of the Provincial Auditor and shall annually make a report of the outcome of the examination to the assembly which shall be submitted to the member of the Executive Council charged with the administration of The Financial Administration Act on or before the last day of December next following the end of the fiscal year of the government to which the report relates who shall, if the Legislature is then in session, forthwith lay it before the assembly or, if the Legislature is not then in session, lay it before the assembly within 15 days after the commencement of the next following session, and the costs of the examination and the preparation of the report shall be paid from the Consolidated Fund with moneys authorized under an Act of the Legislature to be so paid and applied.

Vérification relative au bureau du vérificateur provincial

19 Un vérificateur qualifié, nommé par le Conseil exécutif ou par un de ses comités, examine les rentrées et sorties de fonds du bureau du vérificateur provincial et fait rapport chaque année des conclusions de cet examen à l'Assemblée. Le rapport est présenté au membre du Conseil exécutif chargé de l'application de la Loi sur l'administration financière au plus tard le 31 décembre suivant la fin de l'exercice du gouvernement qui fait l'objet du rapport. Le membre du Conseil exécutif chargé de l'application de la Loi sur l'administration financière le dépose immédiatement devant l'Assemblée si la Législature est en session ou, si elle ne siège pas, dans les 15 premiers jours de séance ultérieurs. Le coût de cet examen et de l'établissement du rapport est payé sur le Trésor au moyen des sommes qu'une loi de la Législature affecte à cette fin.

The Queen's Printer
for the Province of Manitoba

L'Imprimeur de
la Reine du Manitoba

CHAPTER 50

THE PROVINCIAL AUDITOR'S AMENDMENT ACT

(Assented to June 24, 1992)

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of Manitoba, enacts as follows:

C.C.S.M. c. P145 amended

1 The Provincial Auditor's Act is amended by this Act.

2 Section 2 is amended by adding "and on appointment the Provincial Auditor shall be an officer of the Legislature" *after* "Province of Manitoba".

3 The following is added after section 19:

Immunity from action or proceeding

20 No action or other proceeding may be brought against the Provincial Auditor, an Assistant Provincial Auditor or any person employed under the Provincial Auditor for anything done or omitted, in good faith, in the exercise or intended exercise of a power or in the performance or intended performance of a duty or function under this or any other Act or regulation, or for any neglect or default in the exercise or performance in good faith of such power, duty or function.

CHAPITRE 50

LOI MODIFIANT LA LOI SUR LE VÉRIFICATEUR PROVINCIAL

(Date de sanction : 24 juin 1992)

SA MAJESTÉ, sur l'avis et avec le consentement de l'Assemblée législative du Manitoba, édicte :

Modification du c. P145 de la C.P.L.M.

1 La présente loi modifie la Loi sur le vérificateur provincial.

2 L'article 2 est modifié par adjonction, après «Manitoba.», *de* «Une fois nommé, le vérificateur provincial est un haut fonctionnaire de l'Assemblée législative.»

3 Il est ajouté, après l'article 19, ce qui suit :

Immunité

20 Le vérificateur provincial, un vérificateur provincial adjoint ou les employés du vérificateur provincial bénéficient de l'immunité pour les actes accomplis ou les fautes ou omissions commises de bonne foi dans l'exercice effectif ou censé tel des pouvoirs et fonctions qui leur sont conférés en vertu de la présente loi ou de toute autre loi ou tout règlement.

Attest Audits

We conducted attest audits for the following:

	Qualified Audit Opinions
Alcoholism Foundation of Manitoba	1, 2
Board of Administration under The Embalmers and Funeral Directors' Act	
Brandon University	2
Brandon University Holding Company	
Brandon University Retirement Plan	
Centre Culturel Franco-Manitobain	
Civil Service Superannuation Fund	
Co-operative Loans and Loans Guarantee Board	
Co-operative Promotion Board	
Criminal Injuries Compensation Board	
Fiscal Stabilization Fund	3
Horse Racing Commission	1, 2
Leaf Rapids Town Properties Ltd.	4
Legal Aid Services Society of Manitoba	4
Liquor Control Commission	1, 2
Manitoba Agricultural Credit Corporation	4
Manitoba Arts Council	
Manitoba Centennial Centre Corporation	1
Manitoba Crop Insurance Corporation	4
Manitoba Government Employees' All Charities Campaign	
Manitoba Habitat Heritage Corporation	
Manitoba Hazardous Waste Management Corporation	
Manitoba Health Research Council	
Manitoba Health Services Commission	1
Manitoba Home Care Employees' Benefits Trust Fund	
Manitoba Hospital Capital Financing Authority	
Manitoba Housing and Renewal Corporation	
Manitoba Intercultural Council	
Manitoba Lotteries Foundation	
Manitoba Mental Health Research Foundation	
Manitoba Milk Prices Review Commission	
Manitoba Mineral Resources Ltd.	
Manitoba Research Council	
Manitoba Text Book Bureau	

See page 198 for explanations of audit qualifications.

Attest Audits

	Qualified Audit Opinions
Manitoba Trading Corporation	
Manitoba Water Services Board	
Moose Lake Loggers Ltd.	
Municipal Employee Benefits Fund	
Northern Affairs Fund	
Office of the Queen's Printer	
Public Schools Finance Board	
Public Service Group Insurance Fund	
Public Trustee of Manitoba	
Teachers' Retirement Allowances Fund	
Universities Grants Commission	1
University of Manitoba	2
University of Manitoba Pension Plans	
University of Winnipeg	2
University of Winnipeg Pension Plan	
Westarc Group Inc.	

Legend:

1 Audit opinion qualified for pensions

2 Audit opinion qualified for other employee benefits

3 Audit opinion qualified for valuation of Repap Enterprises Inc. shares

4 Audit opinion for the fiscal year ended March 31, 1992 not issued as at the date this report

Overview Audits

Private-sector audit firms conducted the attest audit of the following Government agencies. Our Office completed broader scope audit work known as an "overview".

A. E. McKenzie Co. Ltd. and Subsidiaries
Communities Economic Development Fund
Credit Union Stabilization Fund
Crown Corporations Council
Fonds de Sécurité des Caisses Populaires
Manitoba Hydro-Electric Board
Manitoba Properties Inc.
Manitoba Properties Leasing Inc.
Manitoba Properties Management Inc.
Manitoba Public Insurance Corporation
Manitoba Telephone System
Rehabilitation Centre for Children
Venture Manitoba Tours Ltd.
Workers Compensation Board

Exhibit 5

Office of
the Provincial Auditor

905 - 386 Broadway
Winnipeg, Manitoba, CANADA
R3C 3R6

AUDITOR'S REPORT

To The Legislative Assembly of Manitoba

Under the authority of section 14 of The Provincial Auditor's Act, we have examined the consolidated statement of financial position of the Government of the Province of Manitoba as at March 31, 1991 and the consolidated statements of revenue and expenditure and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of management of the Government of the Province of Manitoba. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, except for the matter presented as reservation 1 regarding amounts receivable, these financial statements present information in accordance with the accounting policies of the Government Reporting Entity stated in note 1 to the financial statements applied on a basis consistent with that of the preceding year. We also report two additional reservations regarding the Government's accounting treatment of pension liabilities and associated pension costs and the Preferred Shares of Repap Enterprises Inc. In our opinion, except for the effects of these three reservations as set out below, these financial statements present fairly, in all material respects, the consolidated financial position of the Government of the Province of Manitoba as at March 31, 1991 and the results of its operations and the changes in its financial position for the year then ended.

Reservation 1 - Recording of a Pending Amount Receivable from the Government of Canada

Recorded in the financial statements is $18.7 million in emergency disaster amounts receivable from the Government of Canada regarding a pending claim for fire suppression costs, which was set up as at March 31, 1990. The Governments of the Province of Manitoba and Canada are in the process of negotiating a cost sharing arrangement to cover these costs. As at March 31, 1991, the Province had not submitted a formal claim to Canada and Canada had not acknowledged this liability. As a result, realization of this amount receivable depends on future negotiations. As at March 31, 1991, the classification of the $18.7 million as an amount receivable cannot be verified. Had the Government not recorded the $18.7 million as an amount receivable in its financial statements, the assets would be decreased and the total excess of liabilities over assets and similar items (accumulated deficit) would be increased by $18.7 million as at March 31, 1991.

Reservation 2 - Failure to Record Pension Liabilities and Associated Pension Costs

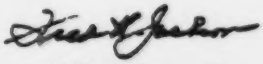
In accordance with the accounting policy stated in note 1C2d to the financial statements, the Government Reporting Entity does not fully record its pension liabilities and the costs associated with the annual increase in the pension liabilities for pension entitlements earned by its employees, teachers and Members of the Legislative Assembly in its financial statements. Note 15 provides information on the estimated unrecorded pension

liabilities. The unrecorded pension liabilities are estimated to be $1,419.6 million as at March 31, 1991. Had the pension liabilities and the costs associated with the annual increase in the pension liabilities been recorded in the financial statements, expenditure would be increased by an estimated $130.9 million, the increase in equity in government enterprises would be increased by an estimated $13.2 million and consolidated net expenditure would be increased by an estimated $117.7 million for the year ended March 31, 1991. Also, assets would be decreased by an estimated $128.3 million, liabilities and unrealized recovery would be increased by an estimated $1,291.3 million and the accumulated deficit would be increased by an estimated $1,419.6 million as at March 31, 1991.

Reservation 3 - Valuation of Preferred Shares

The preferred shares of Repap Enterprises Inc., included in the consolidated statement of financial position as other long-term investments at $77.6 million, have been recorded at their future potential redemption value. The unrealized recovery from the future redemption of the preferred shares of Repap Enterprises Inc., of $77.6 million, recognizes that realization of these shares is dependent on the future profitability of Manfor Ltd., or its successor, and other conditions being fulfilled well into the future. Had the unrealized recovery been offset against the value of the shares, assets and liabilities and unrealized recovery would be decreased by $77.6 million as at March 31, 1991.

The combined effect of the three reservations on the 1991 operations is an increase in expenditure of $130.9 million, an increase in the increase in equity in government enterprises of $13.2 million and an increase in the consolidated net expenditure of $117.7 million for the year ended March 31, 1991. Also, assets would be decreased by $224.6 million, liabilities and unrealized recovery would be increased by $1,213.7 million and the accumulated deficit would be increased by $1,438.3 million as at March 31, 1991.



Winnipeg, Manitoba
February 10, 1992

F.H. Jackson, CA
Provincial Auditor

Exhibit 6

Office of
the Provincial Auditor

905 - 386 Broadway
Winnipeg, Manitoba, CANADA
R3C 3R6

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba

The Consolidated Fund financial statements report transactions of the Operating Fund and the Trust Fund only. While the Operating Fund reflects a portion of the financial activities of the Government, certain transactions within the Trust Fund do not represent Government activities and significant other financial activities of the Government occur outside both of these funds. Therefore, readers should not use the Consolidated Fund financial statements to understand and assess the Government's management of public financial affairs and resources as a whole.

Volume III of the Public Accounts includes the summary financial statements of the Government of the Province of Manitoba. Their purpose is to report fully the nature and extent of the financial affairs and resources for which the Government is responsible. Please refer to those summary financial statements to understand and assess the Government's management of public financial affairs and resources as a whole.

Under the authority of section 14 of The Provincial Auditor's Act, we have audited the Operating Fund statements of financial position and excess of liabilities over financial assets of the Consolidated Fund of the Government of the Province of Manitoba as at March 31, 1992 and the Operating Fund statements of revenue and expenditure, changes in financial position, and those Operating statements provided under statutory requirement for the year then ended. We have also audited the Trust Fund statements of assets and liabilities, cash and investments and balances of the Consolidated Fund of the Government of the Province of Manitoba as at March 31, 1992. These financial statements are the responsibility of the Government of the Province of Manitoba and have been prepared in accordance with the accounting policies stated in Note 1 to the Operating Fund financial statements and Note 1 to the Trust Fund financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Reservation

In accordance with the accounting policy stated in note 1B2d to the Operating Fund financial statements, the Government does not record its pension liabilities and costs associated with the annual increase in the pension liabilities for pension entitlements earned by its employees, contributors to the Teachers' Retirement Allowances Fund and Members of the Legislative Assembly in its financial statements. Similarly, in accordance with note 1B2c, no liability or expenditure is recorded for salary related benefits. These accounting policies are consistent with those of prior years, however they do not result in fair presentation.

Note 13 to the Operating Fund financial statements advises that the unfunded actuarial pension liabilities are estimated to be $1.45 billion as at March 31, 1992. Salary related benefits for unrecorded vacation pay liabilities approximate $50 million as at March 31, 1992. Had the Government recorded the unfunded pension liabilities, liabilities for vacation pay and the costs associated with the annual increase in the pension and vacation pay liabilities in its Operating Fund financial statements, expenditure and the annual deficit would be increased by an estimated $142 million for the year ended March 31, 1992. Also, the Operating Fund's liabilities and accumulated deficit would be increased by an estimated $1.5 billion as at March 31, 1992.

In our opinion, except for the failure to record pensions and salary related benefits for vacation pay as described in the preceding paragraphs, these financial statements present fairly, in all material respects, the financial positions of the Operating Fund and the Trust Fund of the Government of the Province of Manitoba as at March 31, 1992 and the results of the operations and the changes in its financial positions for the year then ended in accordance with the accounting policies stated in Note 1 to the Operating Fund and Note 1 to the Trust Fund financial statements of the Consolidated Fund.

As required by section 14 of the Provincial Auditor's Act, we report that, in our opinion, the stated accounting policies have been applied on a basis consistent with that of the preceding year.

Carol Bellringer

Winnipeg, Manitoba
November 20, 1992

Carol Bellringer, CA
Provincial Auditor

Manitoba

Finance Comptroller's Division 709 Norquay Building
Winnipeg, Manitoba, CANADA
R3C 0P8

Exhibit 7

November 30, 1992

Honourable Clayton Manness
Minister of Finance
103 Legislative Building
Winnipeg, Manitoba
R3C OV8

Dear Sir:

Section 19 of the Provincial Auditor's Act states:

> "A qualified auditor nominated by the Executive Council or a committee thereof shall examine the receipts and disbursements of the Office of the Provincial Auditor and shall annually make a report of the outcome of the examination to the assembly which shall be submitted to the member of the Executive Council charged with the administration of the Financial Administration Act on or before the last day of December next following the end of the fiscal year of the government to which the report relates."

My division now performs this audit on a regular basis. Under my direction, an auditor from Financial and Management Systems Branch has conducted an audit of the Provincial Auditors's Office for the year ended March 31, 1992.

The audit was limited to a general review of the accounting procedures and accounting records of the Provincial Auditor's Office. Such tests were performed as were considered necessary in the circumstances.

In my opinion, the accounts of the Audit Office are maintained in an efficient, well organized manner and comply with all the requirements of the Financial Administration Act and all other applicable statutes.

Yours truly,

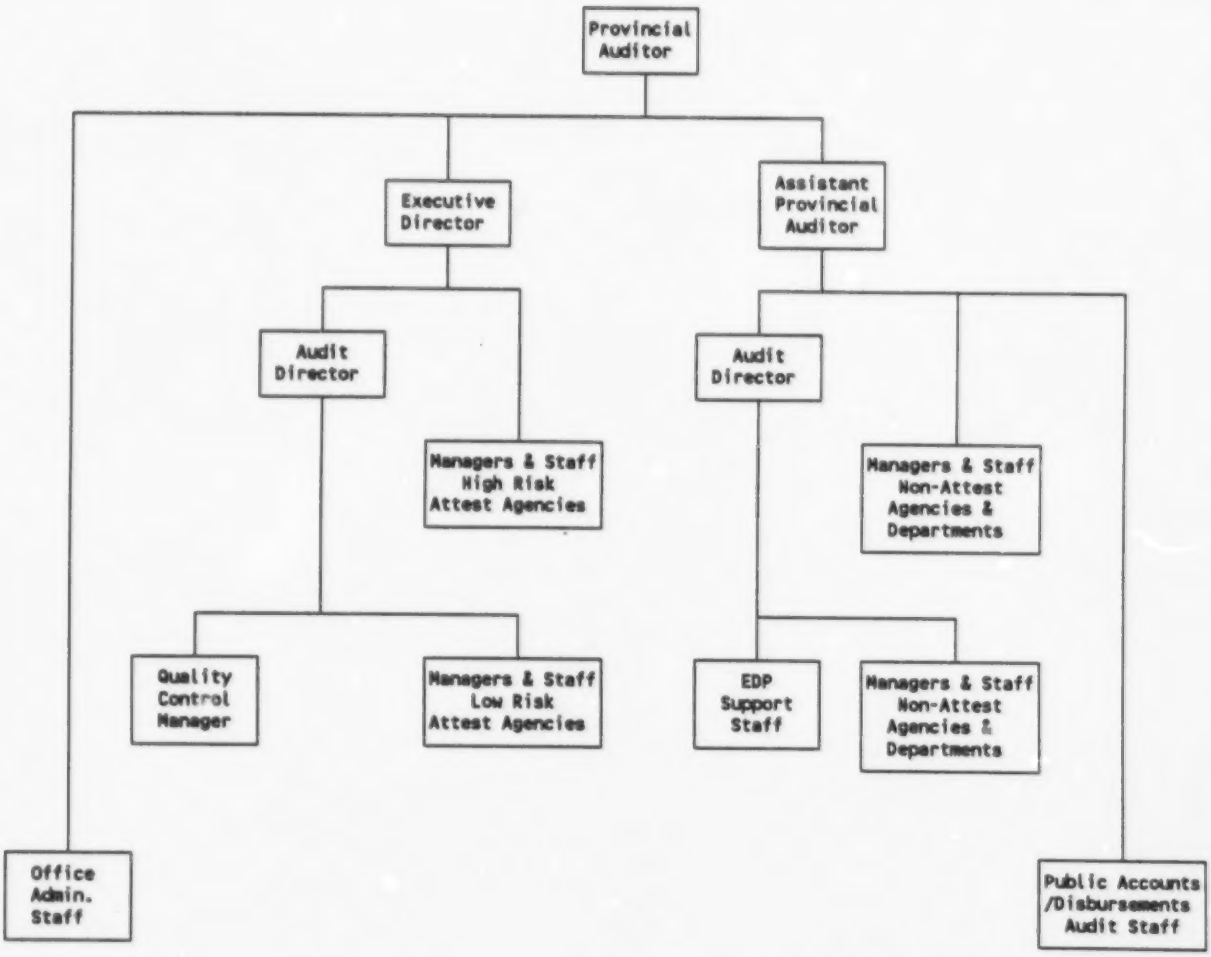
E. H. Rosenhek, C.A.

E. Rosenhek, C.A.
Comptroller

cc: C. Bellringer

Organizational Chart

The organization of the Office as at September 30, 1992 was as follows:


Provincial Auditor
Executive Director
Assistant Provincial Auditor
Audit Director
Audit Director
Managers & Staff High Risk Attest Agencies
Managers & Staff Non-Attest Agencies & Departments
Quality Control Manager
Managers & Staff Low Risk Attest Agencies
EDP Support Staff
Managers & Staff Non-Attest Agencies & Departments
Office Admin. Staff
Public Accounts /Disbursements Audit Staff

Financial Results for the Provincial Auditor's Office

Our actual revenue and expenditures for the year ended March 31, 1992 compared to the estimate is as follows:

	Actual	Estimate	Variance
Revenue from Agency Attest Audits	$ 877.1	$ 916.0	$ (38.9)
Expenditure:			
Salary	2,573.2	2,574.1	(.9)
Other	169.7	193.2	(23.5)
	2,742.9	2,767.3	(24.4)
Expenditure over revenue	$ 1,865.8	$ 1,851.3	$ (14.5)

This compares with the preceding year, as follows:

	Actual			
			Increase (Decrease)	
	1992	1991	%	$
Revenue from Agency Attest Audits	$ 877.1	$ 701.2	25	$ 175.9
Expenditure:				
Salary	2,573.2	2,482.4	3.6	90.8
Other	169.7	148.3	14	21.4
	2,742.9	2,630.7		112.2
Expenditure over revenue	$ 1,865.8	$ 1,929.5		$ (63.7)

Explanation of increase in revenue:

During the year ended March 31, 1992, the Provincial Auditor, in response to the Government's sectoral restraint exercise, increased the billing rates applied to the agency attest audits to reflect the concept of full cost recovery. As a result our billing rates, on average, were increased by 20.9%. The billing rates of prior years did not reflect indirect operating costs of the Office of the Provincial Auditor, such as space utilization and employee benefits. The current rates now reflect these factors.